

OFFICIAL TRANSCRIPT OF PROCEEDINGS BEFORE THE POSTAL RATE COMMISSION

In the Matter of:)
) Docket No.: R2006-1
POSTAL RATE AND FEE CHANGES)

VOLUME #9

Date: August 14, 2006
Place: Washington, D.C.
Pages: 2185 through 2368

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POSTAL RATE COMMISSION

In the Matter of:)
)
POSTAL RATE AND) Docket No.: R2006-1
FEE CHANGES)

Suite 200
Postal Rate Commission
901 New York Avenue, N.W.
Washington, D.C.

Volume 9
Monday, August 14, 2006

The above-entitled matter came on for hearing
pursuant to notice, at 9:35 a.m.

BEFORE:

HON. GEORGE A. OMAS, CHAIRMAN
HON. DAWN A. TISDALE, VICE-CHAIRMAN
HON. TONY HAMMOND, COMMISSIONER
HON. RUTH Y. GOLDWAY, COMMISSIONER

APPEARANCES:

On behalf of United States Postal Service:

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APPEARANCES: (Cont'd.)

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(703) 356-5070

C O N T E N T S

WITNESSES APPEARING:

ANTHONY M. PAJUNAS (Not Present)
 DION I. PIFER
 BRADLEY V. PAFFORD
 A. THOMAS BOZZO (Not Present)

<u>WITNESSES:</u>	<u>DIRECT</u>	<u>CROSS</u>	<u>REDIRECT</u>	<u>RECROSS</u>	<u>VOIR DIRE</u>
Dion I. Pifer	2210				
by Mr. Morgan	--	2233	--	--	--
Bradley V. Pafford	2245				

<u>DOCUMENTS TRANSCRIBED INTO THE RECORD</u>	<u>PAGE</u>
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P R O C E E D I N G S

(9:35 a.m.)

CHAIRMAN OMAS: Good morning. Today we continue hearings to receive the testimony of Postal Service witnesses in support of Docket No. R2006-1, Request for Rate and Fee Changes.

Does anyone have a procedural matter to discuss at this point before we proceed? Mr. Hall?

MR. HALL: Mike Hall for MMA, Major Mailers Association. We received a response from Witness Bozzo to an Interrogatory 53(c) and (d) that were redirected from Witness Abdirahman.

I've given the reporter two copies of Mr. Bozzo's responses. They were too late to get in in the normal course of things, so I would ask that they be included in the packet of designated written cross-examination.

CHAIRMAN OMAS: Without objection. So ordered.

(The documents referred to were marked for identification as Exhibit Nos. MMA/USPS-T-22-53(c) and MMA/USPS-T-22-53(d).)

//

1 MR. HALL: I have one further matter as
2 well, but I think I will reserve it until Wednesday
3 because I've checked with Postal Service counsel, and
4 apparently the Postal Service counsel for Mr. Bozzo is
5 not here today.

6 We understand that his T-46 testimony will
7 be going into the record. Based upon the latest
8 responses we got, we do have questions for Mr. Bozzo.
9 On Wednesday I believe he's going to appear. I will
10 then seek to ask him some questions relating to this
11 interrogatory and portions of his T-46 testimony.

12 CHAIRMAN OMAS: Thank you. That's fine.

13 Is there anyone else?

14 (No response.)

15 CHAIRMAN OMAS: I will say one thing, Mr.
16 Hall. If you would move over, if you notice above you
17 are mics in the room that pick it up, so if you want
18 you can just pretty much stand where you are.

19 Any of those of you who wish to address the
20 Commission, we think it works pretty well. You don't
21 have to come up to the attorney's desk if you don't
22 want to.

23 Thank you. I just thought I'd mention that.

24 Four witnesses are scheduled to appear
25 today. They are Witnesses Pajunas, Pifer, Pafford and

1 Bozzo.

2 Our first witness is Mr. Pajunas. There are
3 no requests for oral cross-examination at this time.

4 Mr. Reimer, would you proceed to move for
5 admission of his testimony into the evidentiary
6 record?

7 MR. REIMER: Thank you, Mr. Chairman. The
8 Postal Service moves that the direct testimony of
9 Anthony M. Pajunas on behalf of the United States
10 Postal Service, USPS-T-45, be admitted into the record
11 in this case.

12 I have original signed declarations attached
13 to two copies of that testimony.

14 CHAIRMAN OMAS: Is there any objection?

15 (No response.)

16 CHAIRMAN OMAS: Hearing none, I will direct
17 counsel to provide the reporter with two copies of the
18 corrected direct testimony of Mr. Pajunas.

19 That testimony is received into evidence.
20 However, as is our practice, it will not be
21 transcribed.

22 (The document referred to was
23 marked for identification as
24 Exhibit No. USPS-T-45 and was
25 received in evidence.)

1 CHAIRMAN OMAS: Mr. Reimer, have the answers
2 to the written cross-examinations been received and
3 corrected?

4 MR. REIMER: Yes, Mr. Chairman. The Postal
5 Service has reviewed the responses and has no
6 corrections to make to any of them from the designated
7 packet of written cross-examination materials.

8 CHAIRMAN OMAS: All right. Please provide
9 two copies of the corrected designated written cross-
10 examination of Witness Pajunas to the reporter.

11 That material is received into evidence and
12 is to be transcribed into the record.

13 (The document referred to was
14 marked for identification as
15 Exhibit No. USPS-T-45 and was
16 received in evidence.)

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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS ANTHONY M. PAJUNAS
(USPS-T-45)

Party

Interrogatories

Association of Priority Mail Users,
Inc.

APMU/USPS-T45-1a-d

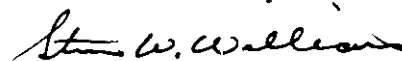
Office of the Consumer Advocate

DBP/USPS-32 redirected to T45
DFC/USPS-T45-1-8, 9a, 10a

Postal Rate Commission

APMU/USPS-T45-1a-d
DBP/USPS-32 redirected to T45
DFC/USPS-T45-1-3, 5-8, 9a, 10a

Respectfully submitted,



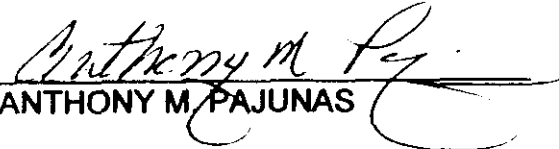
Steven W. Williams
Secretary

**POSTAL RATE COMMISSION
DOCKET NO. R2006-1
DECLARATION OF ANTHONY M. PAJUNAS**

I hereby declare, under penalty of perjury, that:

I prepared the interrogatory responses, and responses to the Presiding Officer's Information Requests, which were filed under my signature and which have been designated for inclusion in the record in this docket, as amended by errata; and

if I were to respond to these interrogatories and Presiding Officer's Information Requests orally today, the responses would be the same.


ANTHONY M. PAJUNAS

DATE: August 11, 2006

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS ANTHONY M. PAJUNAS (T-45)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

InterrogatoryDesignating Parties

APMU/USPS-T45-1a	APMU, PRC
APMU/USPS-T45-1b	APMU, PRC
APMU/USPS-T45-1c	APMU, PRC
APMU/USPS-T45-1d	APMU, PRC
DBP/USPS-32 redirected to T45	OCA, PRC
DFC/USPS-T45-1	OCA, PRC
DFC/USPS-T45-2	OCA, PRC
DFC/USPS-T45-3	OCA, PRC
DFC/USPS-T45-4	OCA
DFC/USPS-T45-5	OCA, PRC
DFC/USPS-T45-6	OCA, PRC
DFC/USPS-T45-7	OCA, PRC
DFC/USPS-T45-8	OCA, PRC
DFC/USPS-T45-9a	OCA, PRC
DFC/USPS-T45-10a	OCA, PRC

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF THE ASSOCIATION OF PRIORITY MAIL USERS, INC.

APMU/USPS-T45-1

On June 28, 2006, the Postal Service issued News Release No. 06-044 announcing that, beginning on July 1, 2006, United Parcel Service ("UPS") would begin air transportation of Priority Mail on behalf of the Postal Service to 82 cities in the United States not previously serviced under the existing USPS-UPS agreement. The text of the news release, excluding the last paragraph which provides background information about the Postal Service, is set out below.

POSTAL SERVICE, UNITED PARCEL SERVICE EXPAND BUSINESS RELATIONSHIP

WASHINGTON – The U.S. Postal Service today awarded a contract to United Parcel Service (UPS), significantly enhancing a business relationship involving the domestic air transportation of mail. The agreement calls for UPS to transport primarily First Class and Priority mail to and from 98 U.S. cities.

Today's agreement is a three-year arrangement with the possibility of a two-year extension. Currently, UPS provides the Postal Service with mail transportation to and from 16 U.S. cities.

"The Postal Service is one of the largest users of air transportation in the nation and UPS operates one of the world's largest airlines," said Postmaster General John E. Potter. "It only makes sense for the Postal Service to take advantage of the reach offered by UPS. The added advantage of the similarity of our operations will only enhance the Postal Service's ability to provide the highest levels of service for our customers."

Further, Potter added that it is prudent for the Postal Service to work with suppliers that have the transportation of like commodities as a principal mission.

UPS Chairman and Chief Executive Officer Michael L. Eskew also said the agreement is a win-win situation for both companies. "We are excited about expanding our relationship with USPS. We can help support the Postal Service's service commitment to its mail customers while creating new growth opportunities for our company."

Service under the contract will begin July 1, 2006. Postal Service customers will see no change in the way their mail is delivered as the result of this contract. Post Office retail operations are also unaffected....

a. Please confirm that this Postal Service News Release accurately describes the new agreement with UPS. If you do not confirm, please describe the new arrangement for the air transport of Priority Mail via UPS.

b. Please identify the benefits that the Postal Service obtains from this new agreement.

**RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF THE ASSOCIATION OF PRIORITY MAIL USERS, INC.**

- c. Please confirm that this new agreement with UPS is limited to air transport and does not involve ground transport. If you do not confirm, please explain why and set forth the scope of the agreement.
- d. Please confirm that this proposed air transportation program with UPS will be in effect for the entirety of TY 2008. If you do not confirm, please explain when the agreement will terminate.
- e. Please provide an estimate of Priority Mail cost reductions in TY 2008 expected to result from this change to the agreement with the UPS.
- f. Were any of the cost reductions identified in the response to subpart e recognized in the Postal Service's estimate of Priority Mail Test Year costs in this docket? If some or all of the cost reductions were not recognized, how much was not recognized?
- g. Do you believe that all of the cost reductions identified in the response to subpart e should be incorporated in the roll-forward model used to develop Test Year costs for Priority Mail? If not, why not?
- h. Does the Postal Service currently contract with UPS either for ground transportation or any mail sortation services, or does it plan to do so in the Test Year? If so, please describe the extent of such usage.

RESPONSE:

- a. Confirmed.
- b. The Postal Service obtains an opportunity to improve service performance for First-Class Mail and Priority Mail.
- c. Confirmed.
- d. Confirmed that the contractual arrangement will be in effect during the entirety of Fiscal Year 2008, which I understand to be the Test Year in this rate case.
- e-h. Redirected to the Postal Service for an institutional response.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DAVID B. POPKIN, REDIRECTED FROM THE UNITED
STATES POSTAL SERVICE

DBP/USPS-32. Please advise the level of FedEx transportation that exists on each of the days of the week and on holidays and the day before and after a holiday. Please ensure that the response provides data when the effects of weekends and holidays are adjacent or overlap.

RESPONSE:

The FedEx day turn network runs every day except Monday. The FedEx night turn network runs every night except for Saturday night and Sunday night. FedEx does not run on the following holidays: New Year's Day, Memorial Day, the Fourth of July, Labor Day, Thanksgiving, and Christmas. On the days before and after a holiday, the Postal Service is able to utilize the same capacity on FedEx as it does on other days. This is true even when a holiday overlaps, or is adjacent to, a day when FedEx does not run.

<u>FedEx Network Holiday Operations</u>				
<u>Widely Observed Holidays</u>				
Holiday	Day of Week	Date	Day (x1)	Night (x67)
Day before Memorial Day Day after	Sunday Monday Tuesday	5/28/2006 5/29/2006 5/30/2006	YES NO NO	NO NO YES
Day before Independence Day Day after	Monday Tuesday Wednesday	7/3/2006 7/4/2006 7/5/2006	NO NO YES	YES NO YES
Day before Labor Day Day after	Sunday Monday Tuesday	9/3/2006 9/4/2006 9/5/2006	YES NO NO	NO NO YES
Day before Thanksgiving Day Day after	Wednesday Thursday Friday	11/22/2006 11/23/2006 11/24/2006	YES NO YES	YES NO YES

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DAVID B. POPKIN, REDIRECTED FROM THE UNITED
STATES POSTAL SERVICE

RESPONSE TO DBP/USPS-32 (continued)

Day before	Sunday	12/24/2006	YES	NO
Christmas Day	Monday	12/25/2006	NO	NO
Day after	Tuesday	12/26/2006	Still under review	
Second day after	Wednesday	12/27/2006	YES	YES
Day before	Sunday	12/31/2006	YES	NO
New Years Day	Monday	1/1/2007	NO	NO
Day after	Tuesday	1/2/2007	Still under review	
Second day after	Wednesday	1/3/2007	YES	YES
<u>Non- Widely Observed Holidays</u>				
Holiday	Day of Week	Date	Day (x1)	Night (x67)
Day before	Sunday	1/15/2006	YES	NO
Martin Luther King Day	Monday	1/16/2006	NO	YES
Day after	Tuesday	1/17/2006	YES	YES
Day before	Sunday	2/19/2006	YES	NO
Presidents Day	Monday	2/20/2006	NO	YES
Day after	Tuesday	2/21/2006	YES	YES
Day before	Sunday	10/8/2006	YES	NO
Columbus Day	Monday	10/9/2006	NO	YES
Day after	Tuesday	10/10/2006	YES	YES
Day before	Friday	11/10/2006	YES	YES
Veterans Day	Saturday	11/11/2006	YES	NO
Day after	Sunday	11/12/2006	YES	NO

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFCP/USPS-T45-1. Please confirm that the FedEx night-turn network carries Express Mail on flights that already existed to carry FedEx cargo and that continue to exist to carry FedEx cargo.

RESPONSE:

I cannot confirm your interrogatory because that information is not available to the Postal Service.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFCP/USPS-T45-2. Please identify the types of Express Mail — e.g., Express Mail guaranteed for delivery in one day, two days, three days, or four days—that are transported on the FedEx night-turn network.

RESPONSE:

Express Mail of all relevant service standards can be transported on the FedEx Night-turn network.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFCP/USPS-T45-3. Please explain why some Express Mail is transported on commercial passenger aircraft, and please describe the characteristics of this mail.

RESPONSE:

Some Express Mail is transported on commercial passenger aircraft because some FedEx dispatches are too early for us to make the connection. Additionally, FedEx does not operate on Saturday or Sunday evening and we accept Express Mail on both days. The Express Mail product that flies on commercial passenger aircraft has the same characteristics as other Express Mail pieces.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T45-4. Please explain whether the FedEx day-turn network carries mail on flights that already existed to carry FedEx cargo and that continue to exist to carry FedEx cargo.

RESPONSE:

That information is not available to the Postal Service.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T45-5. Please describe the extent to which mail transported on the FedEx day-turn network and night-turn network and that must travel from Point A to Point B is flown through FedEx's Memphis hub.

RESPONSE:

The Postal Service does not track this data. Mail that travels on the FedEx network can travel on direct point-to-point transportation, or transfer through Indianapolis, Newark, Alliance (Dallas), or Memphis.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T45-6. Please identify the approximate percentage or proportion of the volume of Express Mail, Priority Mail, and First-Class Mail that is flown that travels on each FedEx network.

RESPONSE:

During 3 random weeks selected in April and May of 06 (which I have no reason to doubt are representative weeks), the Day-turn network volume consisted of approximately 79% Priority Mail, 20% First-Class Mail, and less than 1% Express Mail, when measured on a cubic foot basis.

During the same three weeks the Night-turn network consisted of approximately 3% First-Class Mail and 97% Express Mail, when measured in pounds.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T45-7. Please describe the characteristics of mail that is flown that is not or cannot be flown on commercial passenger aircraft.

RESPONSE:

In general, Priority Mail is transported on cargo networks, as much of it cannot be transported on commercial passenger aircraft.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T45-8. Please refer to your response to DFC/USPS-T45-2. Please identify the types of Express Mail — e.g., Express Mail guaranteed for delivery in one day, two days, three days, or four days — that *actually are* transported on the FedEx night-turn network.

RESPONSE:

Next Day Express Mail and Second Day Second Day Express Mail, which includes Express Mail guaranteed for delivery on the second delivery day, are transported on the Fed-Ex night-turn.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T45-9. Please refer to your response to DFC/USPS-T45-3.

a. Please confirm that Express Mail that is accepted on a Saturday or Sunday for Next Day delivery and that is transported by air is transported on commercial passenger aircraft. If you do not confirm, please explain.

b. Please explain whether Express Mail that is accepted on a Saturday or Sunday for Next Day delivery, that is transported by air, and that weighs more than 16 ounces is transported on commercial passenger aircraft.

RESPONSE:

a. Generally that is a true statement, but there are some exceptions, such as when it might fly on the C-Net.

b. Objection filed.

RESPONSE OF USPS WITNESS PAJUNAS (USPS-T-45) TO
INTERROGATORY OF DOUGLAS F. CARLSON

DFC/USPS-T45-10. Please refer to your response to DFC/USPS-T45-6.

a. Please confirm that you provided the percent of the volume on each FedEx network that consists of Priority Mail, Express Mail, and First-Class Mail.

b. As DFC/USPS-T45-6 requested, please identify the approximate percentage or proportion of the volume of Express Mail, Priority Mail, and First-Class Mail that is flown that travels on each FedEx network.

RESPONSE:

a. Confirmed that for Day-turn network volume, I provided the percentages of Priority Mail, First-Class Mail, and Express Mail (including International Express Mail), when measured on a cubic foot basis, flying on the network. For Night-turn network volume, I provided the percentages of Priority Mail, First-Class Mail, and Express Mail (including International Express Mail), when measured in pounds, flying on the network.

b. Redirected to the Postal Service for an institutional response.

1 CHAIRMAN OMAS: Is there any additional
2 cross-examination for Witness Pajunas?

3 (No response.)

4 CHAIRMAN OMAS: Since there has been no oral
5 cross-examination, Mr. Koetting, we will proceed to
6 the next witness.

7 Will you identify the next Postal Service
8 witness so I can swear him in, please?

9 MR. KOETTING: Thank you, Mr. Chairman. The
10 Postal Service calls its next witness, Dion Pifer.

11 CHAIRMAN OMAS: Raise your right hand, Mr.
12 Pifer.

13 Whereupon,

14 DION I. PIFER

15 having been duly sworn, was called as a
16 witness and was examined and testified as follows:

17 CHAIRMAN OMAS: Please be seated.

18 (The document referred to was
19 marked for identification as
20 Exhibit No. USPS-T-18.)

21 DIRECT EXAMINATION

22 BY MR. KOETTING:

23 Q Could you please state your full name and
24 position for the record?

25 A Dion I. Pifer, mathematical statistician.

1 Q Mr. Pifer, I've handed you two copies of a
2 document entitled Direct Testimony of Dion I. Pifer on
3 Behalf of United States Postal Service, which has been
4 designated as USPS-T-18. Are you familiar with that
5 document?

6 A Yes, I am.

7 Q Was it prepared by you or under your
8 supervision?

9 A Yes, it was.

10 Q If you were to testify orally today, would
11 this be your testimony?

12 A Yes, it would be.

13 Q Are there any Category II library references
14 associated with this testimony?

15 A Yes, there are.

16 Q And would that be USPS-LR-L-72?

17 A Yes, that's correct.

18 Q And is it your intent to sponsor that
19 library reference as well?

20 A Yes, it is.

21 MR. KOETTING: Mr. Chairman, with that the
22 Postal Service would request that the direct testimony
23 of Dion I. Pifer on behalf of the United States Postal
24 Service, USPS-T-18, and the associated library
25 reference be received into evidence.

1 CHAIRMAN OMAS: Is there any objection?

2 (No response.)

3 CHAIRMAN OMAS: Hearing none, I will direct
4 counsel to provide the reporter with two copies of the
5 corrected direct testimony of Mr. Pifer.

6 That testimony is received into evidence.
7 However, as is our practice, it will not be
8 transcribed.

9 (The document referred to,
10 previously identified as
11 Exhibit No. USPS-T-18, was
12 received in evidence.)

13 CHAIRMAN OMAS: Mr. Pifer, have you had an
14 opportunity to examine the packet of written cross-
15 examination that was made available to you this
16 morning?

17 THE WITNESS: Yes, I have.

18 CHAIRMAN OMAS: If the questions contained
19 in that packet were posed to you orally today would
20 your answers be the same as those you provided in
21 writing to the Commission?

22 THE WITNESS: Yes, they would.

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1 (The document referred to was
2 marked for identification as
3 Exhibit No. USPS-T-18 and was
4 received in evidence.)
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BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS DION E. PIFER
(USPS-T-18)

Party

Interrogatories

Postal Rate Commission

UPS/USPS-T18-1

VP/USPS-T18-1-13

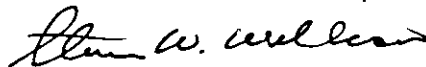
United Parcel Service

UPS/USPS-T18-1

Valpak Direct Marketing Systems,
Inc. and Valpak Dealers'
Association Inc.

VP/USPS-T18-1-13

Respectfully submitted,



Steven W. Williams
Secretary

Designating Parties

[illegible]

UPS/USPS-T18-1.

Refer to USPS -LR-L-72, file "IC3-2.xls," BY 2005 Incremental Cost, C/S 3.2 Window Service, which uses output from USPS-LR-L-5, file "CS03.xls," Base Year 2005 – USPS Version, C/S 3 – Clerks & Mailhandlers-CAGs A-J.

- (a) Provide the actual sources for each of the following instances in which values found in "IC3-2.xls" do not match or cannot be found among the contents of "CS03.xls:"
- i. The values for the "Acceptance Total" cost pool, which cannot be found in "CS03.xls." For example, in "IC3-2.xls," "Inputs" worksheet, the value for First-Class Mail "Single- Piece Letters" in the "Acceptance Total" column, line 2, is \$149,198 (\$000), whereas in "CS03.xls," the "Outputs to Incremental Cost Model" worksheet contains no column labeled "Acceptance Total."
 - ii. The "Non-Acceptance VVC" cost pool in "IC3-2.xls," "Inputs" worksheet, where the value for Priority Mail in the "Non-Acceptance VVC" column, line 7, is \$19,073 (\$000), but the value identified in "CS03.xls," "Outputs to Incremental Cost Model" worksheet, column 8, line 7, is \$19,106 (\$000).
 - iii. The "Non-Acceptance VVC" cost pool in "IC3-2.xls," "Inputs" worksheet, where the data source is given as "WS 3.2.1 C14," but the data source identified in "CS03.xls," "Outputs to Incremental Cost Model" worksheet, column 8, line 7, is "WS 3.2.1 C12"
- (b) Confirm that values in "IC3-2.xls" which are documented as coming from "CS03.xls" (1) are not all found in "CS03.xls;" (2) do not all match the values contained in "CS03.xls;" and (3) sometimes cite different data sources.
- (c) If any part of (b) is confirmed, provide the actual sources for the values contained "IC3-2.xls."
- (d) If any part of (b) is confirmed, explain in detail the reasons for the discrepancies between the contents of "IC3-2.xls" and the contents of "CS03.xls."
- (e) If you do not fully confirm (b), explain in detail.
- (f) If values found in "IC3-2.xls" are drawn from a version of "CS03.xls" that differs from the one contained in USPS-LR-L-5, provide a copy of the correct version of "CS03.xls."

RESPONSE:

- (a)(i, iii). An updated "CS03.xls", with the correct 'Outputs to IC' is attached to this response as an Excel file.

(a)(ii). See the formula in cell F17 of the 'Inputs' sheet in workbook IC3-2.xls.

The \$19,106 coming from the 'Outputs to IC' page in "CS03.xls" is multiplied by the GDEI (Global Direct Entry Inbound) International Adjustment factor in column C. For a discussion of GDEI, see the Postal Service response to an interrogatory from the Office of Consumer Advocate in the R2005-1 proceedings, OCA/USPS-T9-3.

(b - c). Confirmed. Please see the response to question 1(a)(i) above.

(d - e). The 'Outputs to IC' page was updated to provide the inputs needed for the incremental cost model, based on the new volume variability analysis described in the testimony of Professor Bradley, USPS-T-17. The updated 'Outputs to IC' page was not included in the "CS03.xls" filed with USPS-LR-L-5.

(f). Please see above response to (a).

**RESPONSE OF POSTAL SERVICE WITNESS PIFER
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VP/USPS-T18-1.

Please refer to your testimony at page 7, lines 25-27, where you discuss a Type 5 cost pool and first state that "in this cost pool [the costs are variable] ... and the variability equals one hundred percent." You then go on to say that "[t]here are non-volume variable costs intrinsic to a product."

- a. Please explain how, if all costs in the pool are variable, the pool also can contain non-volume variable costs, regardless of whether they are intrinsic or non-intrinsic.
- b. Please give one or two examples of a non-volume variable intrinsic cost in a cost pool where all costs are volume variable.

RESPONSE:

a. and b. It is my understanding of the previous testimony of Prof. Bradley (Direct Testimony of Michael D. Bradley on Behalf of the United States Postal Service, USPS-T-22, Docket No. R2000-1 at 20) that intrinsic costs do not vary at margin, so their existence does not depend upon the measured volume variability:

For many cost pools, there is more than one product handled, so cost attribution is not so straightforward. In these cost pools, two questions must be answered to determine proper cost attribution. The first question is whether or not there are any intrinsic costs. An intrinsic cost is a variable cost, in the sense that it varies with the level of output, but it does not vary at the margin.¹⁷ By that, I mean that these costs are not increased by additional volume of the product. Nevertheless, they are caused by the provision of the entire volume of the product and are thus incremental to that product. When there are intrinsic costs in a cost pool, then both the volume-related costs and the intrinsic costs are attributed to the product that caused them to arise. Other products in the cost pool will cause volume-related incremental costs but will not generate intrinsic costs.

An example of this type of cost pool is given by the manual Priority Mail cost pool. All costs are labor costs and are variable costs. However, the cost pool arises because of the intrinsic characteristics of

**RESPONSE OF POSTAL SERVICE WITNESS PIFER
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Priority Mail and would not exist but for that product. If there were no Priority Mail, this cost pool would disappear. The volume variable costs for non-Priority Mail products would not disappear, but both the Priority Mail's volume variable cost and all of the institutional cost would disappear. This latter set of costs are intrinsic to Priority Mail so the incremental cost for Priority Mail in this cost pool is the sum of Priority Mail's volume variable cost and all of the institutional cost. In this instance, the institutional costs are intrinsic costs.

¹⁷ Intrinsic costs would include things like the premium costs associated with an expedited air transportation network.

(Footnote in original)

The only example that I am aware is provided by the old Eagle network. An explanation of the calculation of incremental cost in cost pool with 100 percent variability and intrinsic costs was provided by witness Bradley in Docket No. R2000-1 (Direct Testimony of Michael D. Bradley on Behalf of the United States Postal Service, USPS-T-22, Docket No. R2000-1 at 37):

The other instance of intrinsic cost is for dedicated air network transportation. In these cost components, the volume variable cost is found by multiplying the amount of the driver (pound-miles) times the (constant) marginal cost of commercial air transportation, (β_j). In the product cost model, the cost function for the dedicated air network is thus given by:

$$C = \alpha_j \bar{D}_j,$$

where the bar on the driver indicates that its amount is fixed with respect to small changes in volume and

RESPONSE OF POSTAL SERVICE WITNESS PIFER TO INTERROGATORIES OF VALPAK

α_j represents the cost of a pound mile of dedicated network air transportation.²⁸ One can express the volume variable cost for Express Mail as the product of the cost of a pound-mile of commercial air transportation times the number of pound-miles required.²⁹

$$VVC_{1j} = \beta_j D_{1j}.$$

The incremental cost of Express Mail in this component adds in the intrinsic cost to the volume variable cost:

$$IC_{1j} = \beta_j D_{1j} + (\alpha_j - \beta_j) \bar{D}_j.$$

²⁸ It is my understanding that the air network is sized for a minimum scale and more capacity exists than is required to handle just the Express Mail. Thus marginal increases in Express Mail volume do not affect the capacity of network.

²⁹ The volume variability of commercial air transportation is one.

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VP/USPS-T18-2.

Please refer to your testimony at page 10, lines 5-7, where it says "[t]hree of the cost pools types identified in section I.C include product specific costs ... and intrinsic costs in type 6 and 7 cost pools." Also, please refer to your testimony at page 8, lines 14-17, in which your description of Type 7 cost pools states that "there are no intrinsic costs." Please reconcile these two seemingly contradictory statements as regards Type 7 cost pools.

RESPONSE:

The description on page 8 of type 7 cost pools is correct. Rather than "type 6 and 7 cost pools," line 7 of page 10 should read "type 5 and 6 cost pools."

**RESPONSE OF POSTAL SERVICE WITNESS PIFER
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VP/USPS-T18-3.

With respect to any cost pool in which only Priority Mail is handled, would you agree that all non-volume variable costs in any such cost pool would be incremental to the mail processing cost of Priority Mail? If you disagree, please explain fully.

RESPONSE:

Yes, if the cost pool would not exist if Priority Mail were to be eliminated as a product, then all non-volume variable costs would be incremental to Priority Mail.

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VP/USPS-T18-4.

With respect to those cost pools in which only letters are handled (e.g., DBCS), would you agree that all non-volume variable costs in those cost pools are incremental to the mail processing cost of letters? If you disagree, please explain fully.

RESPONSE:

Yes, if the cost pools would not exist if the Postal Service ceased delivering all letter-shaped pieces, although note that this does not imply that the non-volume-variable cost of a letter operation such as DBCS would be incremental to any Postal Service product.

**RESPONSE OF POSTAL SERVICE WITNESS PIFER
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VP/USPS-T18-5.

With respect to those cost pools in which only flats are handled (e.g., AFSM 100), would you agree that all non-volume variable costs in each of those cost pools are incremental to the mail processing cost of flats? If you disagree, please explain fully.

RESPONSE:

Yes, if the cost pools would not exist if the Postal Service ceased delivering all flat-shaped pieces, although note that this does not imply that the non-volume-variable cost of a flat operation such as AFSM 100 would be incremental to any Postal Service product.

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VP/USPS-T18-6.

With respect to any cost pool in which only parcels are handled, would you agree that all non-volume variable costs in any such cost pool would be incremental to the mail processing cost of parcels? If you disagree, please explain fully.

RESPONSE:

Yes, if the cost pools would not exist if the Postal Service ceased delivering all parcel-shaped pieces, although note that this does not imply that the non-volume-variable cost of a parcel operation would be incremental to any Postal Service product.

**RESPONSE OF POSTAL SERVICE WITNESS PIFER
TO INTERROGATORIES OF VALPAK**

VP/USPS-T18-7.

- a. Is all mail processing within the collection cost pool restricted to collection mail, or is any other subset of mail also processed within the collection cost pool?
- b. If the collection cost pool handles only collection mail, would you agree that all non-volume variable costs in any such cost pool would be incremental to the mail processing cost of collection mail? If you disagree, please explain fully.

RESPONSE:

a. I am not completely sure what you mean by the collection cost pool within mail processing. If you are referring to the Cancellation (1CANCEL) cost pool, I am informed that most collection mail is processed in the Cancellation (010C) operation within mail processing. Please see pages 2-3 of the testimony of witness McCreary (USPS-T-42) for a general discussion of this operation. I am also informed, however, that non-collection mail can also be handled in the Cancellation cost pool. For example, stale dated meter mail might be run through the AFCS to get a proper postmark date on the pieces. Since I am not an Operations expert, further details would have to be elicited from witness McCreary.

b. Not applicable.

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VP/USPS-T18-8.

Please refer to your testimony at page 18, lines 13-23. At lines 13-14, you state that "[i]ncremental costs for ... Standard ECR mail are ... 2.9% higher than volume variable costs." At lines 18-20, you state that "mail subclasses with a larger share of the driver will have a larger difference between volume variable cost and incremental cost."

- a. What is the driver for Standard ECR mail that results in incremental costs being 2.9 percent higher than volume variable cost?
- b. Please explain why this driver is not equally applicable to Standard Regular mail.

RESPONSE:

- a. Since the 2.9 percent applies to the subclass costs as a whole, rather than any single cost component, there is no single driver that would fully explain that figure, which reflects the net effect of all cost drivers for all cost components.

- b. As noted above, there is no single driver that explains the result about which you inquire. But as also suggested at the bottom of the page of my testimony from which you quote, all else equal, subclasses with larger RPW volumes tend to have a larger percentage difference between volume variable and incremental cost. That relationship holds between Standard and ECR, to the extent that Standard has a higher proportion of RPW volumes (31 percent versus 16.5 percent), and a larger difference between volume variable and incremental costs (3.5 percent versus 2.9 percent). Thus, perhaps contrary to the apparent implication of the question, the net effect of the relevant cost drivers does, roughly speaking, appear to be "equally applicable" between Standard and ECR.

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VP/USPS-T18-9.

Please refer to your testimony at page 10, lines 3-5, where you state that:
"[p]roduct specific costs are non-volume variable costs caused by the provision of a product. Product specific costs for a mail product are incremental to that mail product."

- a. Please define the terms "product" and "mail product" as you use them here.
- b. As you define the term "mail product," to what extent is it synonymous with a class of mail?
- c. As you define the term "mail product," to what extent is it synonymous with a subclass of mail?
- d. As you define the term "mail product," to what extent is it synonymous with a rate category within a subclass of mail?
- e. As you define the term "mail product," to what extent is it synonymous with a rate cell within a subclass of mail?

RESPONSE:

- a. The term "product", as it is referenced here, is a generic term which is used in the definition of product specific costs. The term "mail product", as it is used here, refers to any mail class, subclass, group of subclasses, rate category, or special service which is a line item in the Cost & Revenue Analysis report (USPS-LR-L-2). They therefore correspond to the items listed in rows 1-39 of Table 1A to my testimony.
- b. See answer to part (a).
- c. See answer to part (a).
- d. See answer to part (a).
- e. The term "rate cell" is undefined, thus "mail product" is not a synonym.

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VP/USPS-T18-10.

Please refer to your responses to VP/USPS-T18-4, 5 and 6, and suppose that within one or more independent MODS mail processing cost pools some non-volume variable costs exist solely for one Postal Service product. That is, if the product ceased to exist, those non-volume variable costs would no longer exist.

- a. Would you agree that any non-volume variable costs such as those described here are incremental to the product in question? If you disagree, please explain fully.
- b. Would it be appropriate to classify any non-volume variable costs such as those described here as intrinsic?

RESPONSE:

a. In this proposed scenario, assuming the activity is caused by the provision of a single mail product, any non-volume variable costs in a cost pool would be product specific to the product in question.

b. The non-volume variable costs are appropriately classified as product specific. Intrinsic costs are caused by the provision of the entire volume of an individual product. The previous testimony of Prof. Bradley (Direct Testimony of Michael D Bradley on Behalf of the United States Postal Service, USPS-T-22, Docket No R2000-1 at 20) further defines intrinsic costs:

An intrinsic cost is a variable cost, in the sense that it varies with the level of output, but it does not vary at the margin. By that I mean that these costs are not increased by additional volume of the product. Nevertheless, the[y] are caused by the provision of the entire volume of the product and are thus incremental to that product.

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VP/USPS-T18-11.

Please refer to your testimony at page 10, line 8, where you state that “[a] variety of sources are used to identify product specific costs” Of the various sources that you used for identifying product specific costs, which ones contained a detailed cost breakdown or an analysis of the non-volume variable costs within individual cost pools?

RESPONSE:

The one that comes to mind regarding detailed cost breakdowns is the information on Advertising expenses, obtained from Advertising personnel. In general, the nature of information obtained from other sources is useful for identifying the reasons for the establishment and use of the activity/operations. This exercise addressed the cost pool as a whole (independent of any variability analysis), so I do not believe that it can properly be characterized as an analysis merely of “the non-volume variable costs” within the cost pool. Also, please see my response to VP/USPS-T18-12.

Detailed cost information can be found in USPS-LR-L-72, pages 7 and 8.

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VP/USPS-T18-12.

Please refer to the testimony of witness Bozzo (USPS-T-12) at page 3, Table 1.

- a. Excluding the "Composite" cost pool, do you consider the other 10 cost pools in that table to be "independent," as you use that term at page 7, line 6 of your testimony? If not, please indicate each cost pool that you consider to be dependent.
- b. For each of the 10 cost pools that you define as independent, please indicate for each the "type" (*i.e.*, type 1 to 8 as described in your testimony at pages 7-8).
- c. Excluding the "Composite" cost pool, with respect to each other cost pool in that table with non-variability factor greater than zero, please indicate which non-volume variable costs, if any, you have classified as incremental, and explain the basis or reason for determining that they were incremental.
- d. Please indicate all sources that you used to identify incremental costs within the "pool," or aggregate level, of non-volume variable costs in those 10 cost pools with non-variability factor greater than zero.

RESPONSE:

- a. Yes, all 10 cost pools are independent as defined by the incremental cost model.
- b. Types for all cost pools are found in USPS-T-18 Workpapers in Support of the Testimony of Dion Pifer (Volume 1 and 2), Table 1.
- c. In the SPBS Priority and Manual Priority cost pools, there are non-volume variable costs which are product specific to Priority Mail. In all of the cost pools, incremental costs, by their general nature, capture some non-volume variable costs for all products.
- d. I am not certain that I fully understand the question, however, variability factors gathered from Witness Bozzo (USPS-T-12), cost pool distributions from Witness Van-Ty-Smith (USPS-T-11), classification type from the incremental cost model filed by witness Kay in Docket No. R2005-1, and my workpapers (USPS-T-18 Workpapers in Support of the Testimony of Dion Pifer (Volume 1 and 2) are used in calculating incremental costs for the cost pools.

VP/USPS-T18-13.

Please refer to your response to VP/USPS-T18-12(b). Is your reference to "USPS-T-18 Workpapers in Support of the Testimony of Dion Pifer (Volume 1 and 2)" synonymous with USPS-LR-L-72? If not, please clarify the reference and indicate where it can be found.

RESPONSE:

As discussed on page 3 of my testimony (USPS-T-18), under the heading "Materials Associated With This Testimony", the workpapers and library reference (USPS-LR-L-72) are separate entities. The workpapers are entirely hardcopy, while the library reference contains both hardcopy and electronic content. USPS-LR-L-72 contains electronic versions of the incremental cost model and tables from my testimony and workpapers. In the case of the above-mentioned cite, the requested information can be found in both the workpapers and USPS-LR-L-72. For ease, the spreadsheet describing incremental cost type can be found in USPS-LR-L-72, under "Support Materials", with the filename "WPTable1.xls", tab "Table 1".

1 CHAIRMAN OMAS: This brings us to oral
2 cross-examination.

3 One participant has requested oral cross-
4 examination, Valpak Direct Marketing Systems, Inc. and
5 Valpak Dealers Association, Inc.

6 Would you please introduce yourself for the
7 record?

8 MR. MORGAN: Mr. Chairman, Jeremiah Morgan
9 with Valpak Direct Marketing Systems and Valpak
10 Dealers Association.

11 CHAIRMAN OMAS: You may proceed.

12 CROSS-EXAMINATION

13 BY MR. MORGAN:

14 Q Mr. Pifer, good morning.

15 A Good morning.

16 Q I want to start with Valpak/USPS-T-18-5,
17 your response to that interrogatory.

18 A Okay.

19 Q In that interrogatory we ask, "With respect
20 to those cost pools in which only flats are handled,
21 would you agree that all non-volume variable costs in
22 each of those cost pools are incremental to mail
23 processing costs of flats," correct?

24 A Correct.

25 Q Your response was, "Yes, if the cost pools

1 would not exist if the Postal Service ceased
2 delivering all flat-shaped pieces," correct?

3 A Correct.

4 Q Then you add as a qualification, "This does
5 not imply that the non-volume variable costs of any
6 flat operation such as AFSM 100 would be incremental
7 to any Postal Service product," correct?

8 A Correct.

9 Q I want to make certain I understand how cost
10 pools work. Can we define a cost pool as an
11 aggregation of a particular type of cost over all mods
12 facilities?

13 A I'm not sure if I understand your question.

14 Q For example, would it be correct to consider
15 the AFSM 100 cost pool as an aggregation of costs over
16 all mods facilities that have one or more AFSM 100s?

17 A I believe that would be correct, yes.

18 Q I know that you're not the operations
19 witness or the IOCS witness, but would it be
20 reasonable to expect that the labor costs in the AFSM
21 100 cost pool are an aggregation of the labor costs of
22 operating each individual AFSM 100 in all mods
23 facilities?

24 A As you stated, I'm not an operations expert,
25 but that would be a safe assumption I believe.

1 Q Okay. And would you accept subject to check
2 that according to Witness McCrery in base year 2005
3 the Postal Service had installed 534 AFSM 100s in 230
4 separate facilities?

5 A Subject to check.

6 Q And would you also accept subject to check
7 that Witness McCrery has testified that 132 of those
8 facilities have more than one AFSM 100?

9 A Again subject to check, yes.

10 Q Okay. In fact, according to Witness
11 McCrery, three facilities have as many as eight AFSM
12 100s?

13 A Subject to check, yes.

14 Q Okay. Now, as a hypothetical suppose that
15 in facilities with two or more AFSM 100s at least one
16 of those machines was dedicated full-time to sorting
17 standard catalogs.

18 A Okay.

19 Q The scheme's cost of setup and takedown time
20 for each different sort scheme of operating such
21 dedicated machines, those would be non-volume variable
22 costs, right?

23 A I'm sorry. Repeat that.

24 Q The scheme's cost, the setup and takedown
25 costs, for those dedicated machines.

1 A Okay.

2 Q They would be non-volume variable costs,
3 correct?

4 A If in your hypothetical situation, yes.

5 Q Okay. And they would be incremental to
6 standard mail since they were dedicated to standard
7 mail?

8 A I'm sorry. You said standard catalog? Is
9 that correct? Is that what you asked?

10 Q Yes.

11 A Let me answer it this way. If that machine
12 was set up specifically for a CRE line item such as
13 standard mail the setup costs, as you said, would be
14 non-volume variable costs, as you stated, if it were a
15 CRE line item not based on the shape, but based on the
16 line item, if that makes sense.

17 Q Well, it's a machine dedicated flat though.

18 A We don't calculate incremental cost based on
19 shape. We do it based on CRE line items. The cost
20 would not go to the shape. It would go to the line
21 item.

22 If it were dedicated to standard mail then
23 yes, in that case it would, but not based on the shape
24 is what I'm saying.

25 Q But for the AFSM 100 cost pool --

1 A Okay.

2 Q -- if a particular machine was dedicated to
3 sorting standard mail.

4 MR. KOETTING: I'm getting confused here.
5 When you talk about the cost pool, the cost pool as
6 you defined it, as I understood your definition, was
7 the aggregation of all AFSM 100 costs, all machines.
8 I mean, that's the cost pool that's been defined.

9 MR. MORGAN: Yes. That's what he actually
10 does. Now we're in the hypothetical here. It's not
11 what he actually does.

12 MR. KOETTING: So what's the cost pool?

13 MR. MORGAN: Well, we're talking about in
14 this hypothetical the AFSM 100 cost pool.

15 BY MR. MORGAN:

16 Q Here's my question another way. In theory,
17 if certain sorting machines are dedicated to a single
18 class or subclass of mail should the setup and
19 takedown costs that go with changing sort schemes on
20 those machines, those dedicated machines, be
21 considered an incremental cost of that single class or
22 subclass to which those machines are dedicated?

23 A There would be in your hypothetical
24 situation some product specific cost attributed to
25 whatever class of mail was involved in setting up that

1 machine in your hypothetical situation.

2 Q Okay. And if there were no standard
3 catalogs to be sorted those costs would cease to
4 exist? Those product specific costs would cease to
5 exist?

6 A The standard mail would not receive any
7 product specific costs. The other classes of mail
8 that were sorted there would receive the regular
9 volume variable costs.

10 Q Okay. In this hypothetical, if these non-
11 volume variable setup and takedown costs for machines
12 dedicated to a single class of mail are not treated as
13 incremental to that class mail, how would you
14 recommend they be treated?

15 A The methodology has not changed since R2000.
16 I certainly wouldn't speak to any methodology.

17 Q So how would they be treated?

18 A How would they be treated in your
19 hypothetical?

20 Q In the hypothetical.

21 A In the situation you previous presented,
22 they would be treated as product specific costs.

23 Q Okay. Could you turn to your response to
24 Question 11, Valpak/USPS-T-18-11?

25 A Okay.

1 Q The question asks whether any of the various
2 sources that you used to identify product specific
3 costs contained a detailed cost breakdown or an
4 analysis of the non-volume variable costs within
5 individual cost pools. Is that correct?

6 A Correct.

7 Q In this docket, as well as prior dockets,
8 Witness Bozzo presents an analysis which suggests that
9 certain costs within mods cost pools are non-volume
10 variable. Are you familiar with the testimony of
11 Witness Bozzo?

12 A No, I'm not.

13 Q Would you accept subject to check that on
14 the basis of Witness Bozzo's analysis that Witness
15 Van-Ty-Smith -- you're familiar with her testimony,
16 correct?

17 A Yes, I am.

18 Q -- determines that in base year 2005 some
19 \$2.4 billion of mail processing costs are non-volume
20 variable?

21 A Subject to check, yes.

22 Q Okay. And these non-volume variable costs
23 identified by Witness Bozzo on which Witness Van-Ty-
24 Smith relied occur in a variety of mods cost pools, do
25 they not?

1 A Subject to check, yes.

2 Q In fact, Witness Van-Ty-Smith set out an
3 attachment to her testimony which listed all the cost
4 pools and the amounts of such non-volume variable
5 costs. Would you accept that subject to check?

6 A Okay. Yes, subject to check. Yes.

7 Q Going back to our question, your response to
8 Question 11 there, did either you or any of the
9 sources that you used to identify product specific
10 costs examine any of those cost pools that contained
11 the \$2.4 billion of Witness Bozzo's non-volume
12 variable costs in order to see whether any of those
13 costs should be classified as product specific?

14 A As I state in my testimony, the product
15 specific costs come from a variety of sources,
16 including Witness Milanovich's workpapers and so
17 forth, so we obtained our product specific costs from
18 there. I don't do further analysis other than what
19 product specific costs I already receive.

20 Q Okay. Are you familiar with Library
21 Reference 1, the title of which is Summary Description
22 of USPS Development of Cost by Segments and
23 Components?

24 A Yes, I'm familiar with it.

25 Q And particularly Appendix I?

1 A I believe that's the product specific costs.

2 Q The title of that is Calculating Postal
3 Product Costs/Incremental Costs.

4 A Yes. I'm sorry. I'm familiar with that,
5 yes.

6 Q Okay. Product specific costs are generally
7 considered to be incremental costs, are they not?

8 A I believe actually Professor Bradley has a
9 definition of product specific costs in his R2000
10 testimony. I wouldn't necessarily call it incremental
11 cost, no.

12 Q Does Appendix I to Library Reference 1
13 define or classify product specific costs in any way
14 other than as incremental costs?

15 A I haven't reviewed Appendix I. I've seen
16 it, but I didn't write it, and I'm unfamiliar with it.

17 Q Okay. Can I ask you? Are you aware of any
18 product specific costs that are treated as
19 institutional costs?

20 A I'm sorry. What do you mean by
21 institutional costs? Could you rephrase the question?

22 Q Are there any product specific costs that
23 are not attributed, that are not attributable costs?

24 A Attributable to a class of mail?

25 Q Yes.

1 A All product specific costs as far as I know
2 are attributed to a CRE line item.

3 Q They're not institutional costs?

4 A As far as I know, no.

5 Q Okay. Thank you. Did you consider
6 analyzing cost pools with non-volume variable costs,
7 that contain non-volume variable costs, to see whether
8 some of those costs might be product specific?

9 A Again, the product specific costs I received
10 from other sources I take at face value.

11 Q Okay.

12 A I don't do any further analysis, no.

13 Q You didn't look into the cost pools at all?

14 A No. No further than what is given to me,
15 no.

16 Q As a general principle, would you have an
17 objection to looking at the details inside of the cost
18 pools instead of treating them as homogenous entities?

19 A The methodology we currently use has been
20 successful for the last couple of rate cases. At this
21 time I've not considered that, no.

22 Q So you would not object to doing that; it
23 just hasn't been done?

24 A I'd have to check into that. It's a
25 possibility, but I'd have to check into doing that.

1 Q Do you know if the IOCS looks at details of
2 volume variable costs inside of cost pools?

3 A I'm not an IOCS expert.

4 Q Okay. Can you think of any reasons why the
5 details inside of non-volume variable costs should not
6 be studied in any detail?

7 A I'm sorry. Could you repeat that?

8 Q Can you think of any reasons why the details
9 of any non-volume variable costs inside the cost pools
10 should not be studied in detail?

11 A That's outside of my breadth of analysis. I
12 can't comment on that.

13 Q As an incremental cost witness, you can't
14 think of any reason why those details shouldn't be
15 examined?

16 A I produced the incremental costs by line
17 item based on information provided to me by other
18 expert witnesses.

19 As far as mail processing, if Mail
20 Processing wanted to look further into that then that
21 would be -- I don't look further into mail processing
22 than they would.

23 Q You can't think of any reason why they
24 shouldn't though?

25 A I can't really speak for them and the work

1 that they do. They're experts in their field. I
2 can't really speak to them.

3 MR. MORGAN: Okay. Thank you. I have no
4 more questions.

5 CHAIRMAN OMAS: Thank you.

6 Is there anyone else who wishes to cross-
7 examine this witness?

8 (No response.)

9 CHAIRMAN OMAS: Mr. Koetting?

10 MR. KOETTING: If I could have five minutes
11 please, Mr. Chairman?

12 CHAIRMAN OMAS: Thank you.

13 (Whereupon, a short recess was taken.)

14 CHAIRMAN OMAS: Mr. Koetting?

15 MR. KOETTING: The Postal Service has no
16 redirect, Mr. Chairman.

17 CHAIRMAN OMAS: Thank you.

18 Mr. Pifer, that completes your testimony
19 here today. We appreciate your appearance and your
20 contribution to the record, and you are now excused.

21 THE WITNESS: Thank you, sir.

22 (Witness excused.)

23 CHAIRMAN OMAS: Mr. Hollies, would you
24 please identify your next witness?

25 MR. HOLLIES: The Postal Service calls

1 Bradley V. Pafford.

2 CHAIRMAN OMAS: Raise your right hand,
3 please.

4 Whereupon,

5 BRADLEY V. PAFFORD

6 having been duly sworn, was called as a
7 witness and was examined and testified as follows:

8 CHAIRMAN OMAS: Please be seated.

9 (The document referred to was
10 marked for identification as
11 Exhibit No. USPS-T-3.)

12 DIRECT EXAMINATION

13 BY MR. HOLLIES:

14 Q Mr. Pafford, you have two copies of a
15 document in front of you. Could you tell us what that
16 is?

17 A This is my direct testimony, USPS-T-3.

18 Q All right. If you were to testify orally
19 today would your testimony be the same?

20 A It would.

21 Q Was that testimony revised at any point in
22 time?

23 A Yes it was. We did not include the attached
24 tables the first time around.

25 Q And do the copies in front of you have the

1 tables?

2 A Yes, it does.

3 MR. HOLLIES: The Postal Service moves that
4 the testimony of Bradley V. Pafford, USPS-T-3, be
5 entered into evidence in this matter, Mr. Chairman.

6 CHAIRMAN OMAS: Is there any objection?

7 (No response.)

8 CHAIRMAN OMAS: Hearing none, I will direct
9 counsel to provide the reporter with two copies of the
10 corrected direct testimony of Bradley Pafford.

11 That testimony is received into evidence.
12 However, as is our practice, it will not be
13 transcribed.

14 (The document referred to,
15 previously identified as
16 Exhibit No. USPS-T-3, was
17 received in evidence.)

18 CHAIRMAN OMAS: Mr. Pafford, have you had an
19 opportunity to examine the packet of designated
20 written cross-examination made available to you this
21 morning?

22 THE WITNESS: I have.

23 CHAIRMAN OMAS: If those questions contained
24 in that packet were posed to you orally today, would
25 your answers be the same as those you provided to us

1 previously in writing?

2 THE WITNESS: I have a couple things here.
3 One, there were several extra copies of some of the
4 tables and attachments. There were four copies of the
5 same thing, which I removed the additional three
6 copies in here and have given them to my lawyer.

7 I have also one correction to
8 NNA/USPS-T-3-28. A word was left out I've added.

9 CHAIRMAN OMAS: Okay. Counsel, would you
10 please provide two copies of the corrected designated
11 written cross-examination of Witness Pafford to the
12 reporter?

13 That material is received into evidence, and
14 it is to be transcribed into the record.

15 (The document referred to was
16 marked for identification as
17 Exhibit No. USPS-T-3 and was
18 received in evidence.)

19 //

20 //

21 //

22 //

23 //

24 //

25 //

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS BRADLEY V. PAFFORD
(USPS-T-3)

Party

Interrogatories

Postal Rate Commission

NNA/USPS-T3-2-25, 27-29

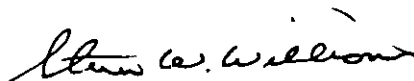
United Parcel Service

UPS/USPS-T3-3-4

Valpak Direct Marketing Systems,
Inc. and Valpak Dealers'
Association Inc.

VP/USPS-T3-1, 3

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS BRADLEY V. PAFFORD (T-3)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
NNA/USPS-T3-2	PRC
NNA/USPS-T3-3	PRC
NNA/USPS-T3-4	PRC
NNA/USPS-T3-5	PRC
NNA/USPS-T3-6	PRC
NNA/USPS-T3-7	PRC
NNA/USPS-T3-8	PRC
NNA/USPS-T3-9	PRC
NNA/USPS-T3-10	PRC
NNA/USPS-T3-11	PRC
NNA/USPS-T3-12	PRC
NNA/USPS-T3-13	PRC
NNA/USPS-T3-14	PRC
NNA/USPS-T3-15	PRC
NNA/USPS-T3-16	PRC
NNA/USPS-T3-17	PRC
NNA/USPS-T3-18	PRC
NNA/USPS-T3-19	PRC
NNA/USPS-T3-20	PRC
NNA/USPS-T3-21	PRC
NNA/USPS-T3-22	PRC
NNA/USPS-T3-23	PRC
NNA/USPS-T3-24	PRC
NNA/USPS-T3-25	PRC
NNA/USPS-T3-27	PRC
NNA/USPS-T3-28	PRC
NNA/USPS-T3-29	PRC
UPS/USPS-T3-3	UPS
UPS/USPS-T3-4	UPS
VP/USPS-T3-1	Valpak
VP/USPS-T3-3	Valpak

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-2. In Table 1 of USPS-T-3, you provide estimates of CVs by subclass for revenue, pieces and weight. With regard to these estimates, please confirm that, *all else equal*, estimates that are based on samples with higher CV values are less reliable than estimates that are based on samples with lower CV values. Explain fully any answer other than a confirmation.

RESPONSE:

Confirmed.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-3. In Table 1 of USPS-T-3, you show a CV for Within County revenue of 1.93 and a CV for Outside County revenue of 0.10. Please explain fully why the Within County CV shown for revenue in Table 1 is so much higher than the Outside County CV for revenue reported in the same table.

RESPONSE:

The Outside County CV is lower than the Within County CV because the proportion of the estimated revenue coming from the PostalOne automated office component of BRPW is higher. The automated office component is census information with no sampling variation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-4. In Table 1 of USPS-T-3, you show a CV for Within County pieces of 2.29 and a CV for Outside County pieces of 0.07. Please explain fully why the Within County CV shown for pieces in Table 1 is so much higher than the Outside County CV for pieces reported in the same table.

RESPONSE:

See the response to NNA/USPS-T3-3.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-5. In Table 1 of USPS-T-3, you show a CV for Within County weight of 2.68 and a CV for Outside County weight of 0.15. Please explain fully why the Within County CV shown for weight in Table 1 is so much higher than the Outside County CV for revenue reported in the same table.

RESPONSE:

See the response to NNA/USPS-T3-3.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-6. Please confirm that the Postal Service maintains an AIC specifically for Within-County revenues and identify that account. If you confirm, please explain why sampling is necessary to estimate revenues associated with this subclass.

RESPONSE:

Confirmed. AIC224 is the account number for Within County. It was established in FY1999 with some interest in tying the BRPW Within County estimates to this AIC. The current approach controls each sub-category of Periodicals by the ratio of total Periodicals AIC revenue to BRPW estimated revenue (see formula (2), USPS-LR-L-17/R2006-1, page 4). These ratios have been consistently near 1.0. However, AIC224 revenue ratios have not been consistent. AIC224 revenue for FY2004 was \$66,241,000 while the estimated Within County revenue was \$72,127,000. In FY2005 AIC224 revenue was \$67,517,000 while the estimate was \$71,714,000. These differences could be related to the manual reporting of Within County revenue for smaller offices, the fact that Centralized Postage Payment postage statements (AIC136) may report some Within County revenue, or other reasons unknown. Until such issues are resolved, we will not use AIC224 revenue for this subclass.

**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION**

NNA/USPS-T3-7. Please refer to your statement on Page 7 that refers to "a supplemental probability based sample of non-automated post offices[.]" With respect to those offices:

- a. please provide the total number of non-automated post offices to which you are referring;
- b. how many of these non-automated post offices provide information on revenues, pieces or weight for the BRPW report?
- c. how many strata for sampling are created for this sample, and what are the criteria for identifying the strata?
- d. do the revenues for Within County periodicals mail reported through this probability based sample consistently match revenues reported from any AIC maintained by the Postal Service for Within County mail? If they do not, please explain why they do not. Please also explain how the Postal Services adjusts the results provided by this sample in any data category to match the AIC to the sample outcomes or vice versa?

RESPONSE:

a – b. The total number of non-automated offices and the number sampled that provide information on revenue, pieces and weight can be found in table 1 of USPS-LR-L-17/R2006-1.

c. The number of strata are shown in table 1 of USPS-LR-L-17/R2006-1. The strata boundaries for the five strata were derived using the cum $\sqrt{f((y))}$ rule (see Sampling Techniques by William G. Cochran, 3rd edition, New York, New York 1977, page 129) for the maximum revenue of either Q2 FY2003 AIC224 revenue, the sum of survey Within County and Outside County revenue, or the quarterly average of a period consisting of the eight quarters in FY2001 and FY2002 of AIC224 revenue by finance number or post office. These strata were established after first defining the sampling frame from these sources and from a listing of automated offices in FY2003. The sampling frame included the set of offices that were not automated, and where a function of In-County and Outside County revenue was greater than \$100.

d. See my response to NNA/USPS-T3-6.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-8. What percentage of total mail pieces reported by the Postal Service in Table 1. Fiscal Year 2005 Revenue, Pieces and Weight Estimates and Associated Confidence Limits for Within-County periodicals were derived by results from PostalOne? From the probability-based stratified sample? From other means?

RESPONSE:

The percentage from PostalOne is 60.6 percent. The estimated percentage from the probability-based stratified sample is 39.4 percent.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS T3-9. Please confirm that data on mail pieces, revenues and weights derived from PostalOne reports are more reliable than data derived from the probability-based stratified sample. If you do not confirm, please explain why they are not.

RESPONSE:

PostalOne as a data source provides census information. There is no sampling variation in census information. Probability-based estimates have sampling variation. To the extent that reliability is defined in these terms, yes PostalOne would be more reliable.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS T3-10. Please confirm that data derived from the probability based stratified sample come from relatively smaller and more rural postal facilities than the data from Postal One. If you do not confirm, please explain the nature of facilities whose data are captured by the probability based stratified sample.

RESPONSE:

I understand that PostalOne offices tend to be larger than others. The probability based stratified sample represents non-PostalOne offices; so if my understanding is correct, these offices should be, on average, relatively smaller than PostalOne offices. In any case, the probability based stratified sample is designed to yield an unbiased estimate of national non-Postal One office activity, regardless of office size or location.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-11. On page 1 of USPS-LR-L-17, the Postal Service states that the BRPW System utilizes "a non-automated office segment from which postage statement information is obtained from a probability-based sample of these offices." With respect to this statement please explain what distinguishes an automated from a non-automated office segment and provide counts of all automated and non-automated office segments in the universe of BRPW facilities grouped by type and by size category for FY 2005.

RESPONSE:

The automated segment includes offices reporting through the automated system for collection of postage statements: PostalOne. The non-automated segment consists a probability-based sample of offices selected from the non-automated office segment of the population: those not reporting through PostalOne. The count of automated offices in FY2005 was 8,436 in Q1 and Q2, 8,440 in Q3, and 8,452 in Q4. The number of non-automated offices can be found in table 1, USPS-LR-L-17/R2006-1. See also my response to NNA/USPS-T3-15 for size category information.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-12. On page 1 of USPS-LR-L-17, the Postal Service states that the BRPW System utilizes "a probability-based sample" of non-automated office segments. Please define the term "probability-based sample," explain fully how this sample was selected and provide all data supporting each specific probability that was measured or considered in selecting this sample.

RESPONSE:

Probability-based sample means that the selection of sample units is carried out by random procedures and with known probabilities of selection. See my response to NNA/USPS-T3-5.c for a description of the sample strata. Within each stratum a random sample of finance numbers was chosen using a uniform random number generator for the targeted sample size specified in table 1 of USPS-LR-L-17/R2006-1. See the worksheets PAN2003A and PAN2003B in the attached EXCEL workbook for the computer programs that generated the sampling frame (PAN2003A) and selected the panel offices randomly (PAN2003B). Individual probabilities for all units in the population are not maintained in the code, just the selected offices' [output.

[Attachment to USPS-T-3-12]

```

//HXXXXXP JOB (ALA03),'XXXXXXX BIN 26',CLASS=H,MSGCLASS=H          10008
/*ROUTE PRINT U5704                                                30000
*****                                                            40000
        JOB NAME: PDS.SAS2C(PNL2003A)                                60000
/*    CREATE DATE: 1-10-03                                          60000
/*    PRIOR JOB: NONE                                              70000
/*    NEXT JOB: PDS.SAS2C(PNL2003B)                                70000
/*    PURPOSE: NEW PANEL SELECTION - 1ST JOB                      70000
/*    GENERAL: THIS JOB CONSTRUCTS FRAME OF FINNOS FOR SAMPLING    70000
/*    THE POP OF ALL NON-0(!) 2C OFFICES.                          70000
/******                                                            40000
/*                                                                    120008
//SO1   EXEC SAS,REGION=4096K,TIME=60                               120008
//WORK   DD SPACE=(CYL,(900,700),RLSE)                             140000
//SYSOUT DD DUMMY                                                  250000
/*                                                                    140000
//AICAL  DD DSN=HSI.BV750T03.QTR2FY03,DISP=OLD,UNIT=TAPE          140000
//      DD DSN=HSI.BV750T03.QTR1FY03,DISP=OLD,UNIT=TAPE          140000
//      DD DSN=HSI.BV750T03.QTR4FY02,DISP=OLD,UNIT=TAPE          140000
//      DD DSN=HSI.BV750T03.QTR3FY02,DISP=OLD,UNIT=TAPE          140000
//      DD DSN=HSI.BV750T03.QTR2FY02,DISP=OLD,UNIT=TAPE          140000
//      DD DSN=HSI.BV750T03.QTR1FY02,DISP=OLD,UNIT=TAPE          140000
//      DD DSN=HSI.BV750T03.QTR4FY01,DISP=OLD,UNIT=TAPE          140000
//      DD DSN=HSI.BV750T03.QTR3FY01,DISP=OLD,UNIT=TAPE          140000
//CBCISFRM DD DSN=HSISMN.BRPWD01.OFFLIST.FY2003Q6(0),DISP=SHR    140000
//SURVEY  DD DSN=XXXXXX.PRDCL.SURVEY.PQ32001.PRELIM,DISP=SHR     140000
//FRAME   DD DSN=XXXXXX.BRPWD01.PANEL2C.FY2003Q2.FRAME,DISP=SHR  140000
//*FRAME  DD DSN=XXXXXX.BRPWD01.PANEL2C.FY2003Q2.FRAME,          140000
/*      DISP=(NEW,CATLG),DCB=(RECFM=FB,LRECL=140,BLKSIZE=2800), 140000
/*      UNIT=SYSDA,SPACE=(CYL,(20,25),RLSE)                      140000
/*                                                                    140000
//SYSIN   DD *                                                    250000
                                                                    260000
*****                                                            260000
* GLOBALS                                                            260000
*; %LET N_PQ=8;
*; %LET CPP224=124268;
*; %LET CPP135=204398163;
*****                                                            260000
                                                                    260000
                                                                    260000
                                                                    260000
*****
* SEC 10.0 *
*****
DATA AICAL; INFILE AICAL;
INPUT @1 AP 2.
      @3 FY 1.
      )7 FINNO PD4.
      @17 ACCNT PD5.3
      @22 R_AIC PD7 2
      @59 CAG $1.;

```

```

FINNO=FINNO/10;
ACCNT=INT(ACCNT);
  IC = -1 * ROUND(R_AIC,1);
  *****
* FILTER *
*****
,
IF FINNO>0;
IF FY=3 & AP=4 THEN DO;
IF FINNO=XXXXXX & ACCNT=41310 THEN DELETE;
END;
IF ACCNT=41316 THEN DO;
R224=RAIC;
R135R224=RAIC;
END;
ELSE IF ACCNT=41310 THEN R135R224=RAIC;
ELSE IF ACCNT=41320 THEN R135R224=RAIC;
ELSE DELETE;
*****
* SEC 11.0 *
*****
,
IF FINNO=XXXXXX THEN DO;
FINNO=YYYYYY; /* MATCH PERMIT SYSTEM FINNO */
R224=R135R224*(&CPP224/(&CPP135+&CPP224));
END;
  ROC SORT;  BY FY AP FINNO;
  ROC SUMMARY; BY FY AP FINNO;
ID CAG; VAR R135R224 R224; OUTPUT OUT=AICAL SUM=;
DATA AICAL; SET AICAL;
IF 04<=AP<=06 & FY=3 THEN DO;
RTOT_Q2 =ROUND(R135R224,1);
R224_Q2 =ROUND(R224,1);
END;
RTOT_MU=ROUND((1/&N_PQ)*R135R224,1); /* PQ AVERAGE */
R224_MU=ROUND((1/&N_PQ)*R224,1); /* PQ AVERAGE */
PROC SORT;  BY FINNO;
PROC SUMMARY; BY FINNO;
ID CAG; VAR RTOT_Q2 R224_Q2 RTOT_MU R224_MU;
OUTPUT OUT=AICAL SUM=;
*****
* SEC 12.0 *
*****
,
DATA CBCISFRM; INFILE CBCISFRM;
INPUT @5 AP 2.
@7 PQ 1.
@8 FY 2.
@13 FINNO 6.
@21 CCITY $18.
@40 CSTATE $2. ;
  EEP FINNO;
*****
* SPEC CASE *
*****
,

```

```

260000
260000
260000
260000
260000
260000
260000
260000
11900
11900
11900

```

```

DATA CBCISADD; 11900
FINNO=AAAAAA; OUTPUT; /* UNDER MIAMI AUTOMATED */
  INO=BBBBBB; OUTPUT; /* SOON TO BE AUTOMATED */ 11900
  .NNO=CCCCCC; OUTPUT; /* CAPITAL DIST AUTOMATED */ 11900
FINNO=DDDDDD; OUTPUT; /* NOVA DIST AUTOMATED */ 11900
DATA CBCISFRM; SET CBCISFRM CBCISADD; 11900
DATA SURVEY; INFILE SURVEY; 260000
INPUT @1 FINNO 6. 11900
@8 BATCH 4. 11900
@13 SKIP 2. 11900
@16 S_STATUS $9. 11900
@26 CBCIS $1. /* '+' NEW CBCIS SINCE SURVEY */ 11900
@28 SURVEY $1. /* Y=SENT SURVEY, N=IF WAS AUTO */ 11900
@30 OP $1. /* OTHER PERIOD ACTIVITY ONLY */ 11900
@32 COMMENT $1. /* COMMENT NOTED ON SURVEY FORM */ 11900
@34 MULTI $1. /* ADDRESS PROB - SENT 2 SURVEYS*/ 11900
@36 A1 9. /* IN-COUNTY PQ3-01 */ 11900
@46 A2 9. /* OUTSIDE PQ3-01 */ 11900
@56 B1 9. /* IN-COUNTY OTHER PERIOD */ 11900
@66 B2 9. /* OUTSIDE OTHER PERIOD */ 11900
@76 RAIC135 9. /* PQ3-01 AIC 135 */ 11900
@86 RAIC224 9. /* PQ3-01 AIC 224 */ 11900
@96 CAG $2. /* CAG STATUS AT MAILOUT */ 11900
@99 SCITY $13. 11900
1113 SSTATE $2. 11900
1116 SZIP $5.; 11900
A1B1=A1+B1; 11900
ABTOT=A1+B1+A2+B2; 11900
***** 11900
* FILTER * 11900
***** 11900
IF SURVEY='Y' AND CBCIS^='*'; 11900
IF S_STATUS='PASS-LOG' OR 11900
S_STATUS='PASS-9' THEN VERI='Y'; 11900
KEEP FINNO BATCH S_STATUS A1-A2 B1-B2 A1B1 ABTOT; 11900
***** 11900
* SEC 13.0 * 11900
***** 11900
PROC SORT DATA=CBCISFRM; BY FINNO; 11900
PROC SORT DATA=SURVEY; BY FINNO; 11900
DATA POP; MERGE AICAL(IN=A) 11900
SURVEY(IN=S) 11900
CBCISFRM(IN=C); BY FINNO; 11900
IF A=0 & S=0 & C=1 THEN NF=1; 11900
ELSE IF A=0 & S=1 & C=1 THEN NF=2; 11900
ELSE IF A=1 & S=1 & C=1 THEN NF=3; 11900
ELSE IF A=1 & C=1 THEN NF=4; 11900
ELSE IF A=1 & S=1 THEN NF=5; 11900
ELSE IF A=1 & S=0 THEN NF=6; 11900
ELSE IF A=0 & S=1 THEN NF=7; 11900
LENGTH SOURCE $23.; 11900
IF NF=1 THEN SOURCE='AUTO=Y, AIC=N, SURVEY=N'; 11900

```



```

IF NF=2 THEN SOURCE='AUTO=Y, AIC=N, SURVEY=Y'; 11900
IF NF=3 THEN SOURCE='AUTO=Y, AIC=Y, SURVEY=Y'; 11900
  NF=4 THEN SOURCE='AUTO=Y, AIC=Y, SURVEY=N'; 11900
  NF=5 THEN SOURCE='AUTO=N, AIC=Y, SURVEY=Y'; 11900
IF NF=6 THEN SOURCE='AUTO=N, AIC=Y, SURVEY=N'; 11900
IF NF=7 THEN SOURCE='AUTO=N, AIC=N, SURVEY=Y'; 11900
IF S_STATUS='PASS-LOG' OR S_STATUS='PASS-9' THEN DO; 11900
  INC_MAX =MAX(R224_Q2,A1B1); 11900
  TOT_MAX =MAX(RTOT_Q2,ABTOT); 11900
END; 11900
ELSE DO; 11900
  INC_MAX =MAX(R224_Q2,A1B1,R224_MU); 11900
  TOT_MAX =MAX(RTOT_Q2,ABTOT,RTOT_MU); 11900
END; 11900
***** 11900
* SPEC CASE * 11900
***** 11900
IF FINNO=XXXXXX THEN TOT_MAX=RTOT_Q2; 11900
***** 11900
* SEC 13.2 * /* TAG SMALL NON-0 SITES FOR EXCLUSION */ 11900
***** 11900
LENGTH F_STATUS $9.; 11900
IF 1<=NF<=4 THEN F_STATUS='CBCIS'; 11900
ELSE IF (NF=7 & A1<=0 & A2<=0 & B1<=0 & B2<=0) OR 11900
  TOT_MAX <=100 THEN F_STATUS='<=$100'; 11900
  _SE F_STATUS='SFRAME'; 11900
***** 11900
* REPORT * 11900
***** 11900
PROC SORT DATA=POP; BY F_STATUS SOURCE S_STATUS; 11900
PROC SUMMARY DATA=POP; BY F_STATUS SOURCE S_STATUS; 11900
OUTPUT OUT=R1 SUM=; 11900
VAR A1-A2 B1-B2 INC_MAX TOT_MAX 11900
RTOT_Q2 R224_Q2 RTOT_MU R224_MU RTOT_MU; 11900
PROC PRINT DATA=R1; BY F_STATUS; 11900
ID SOURCE; 11900
VAR S_STATUS _FREQ_ A1 A2 B1 B2 11900
R224_Q2 RTOT_Q2 R224_MU RTOT_MU INC_MAX TOT_MAX; 11900
SUM _FREQ_ A1 A2 B1 B2 11900
R224_Q2 RTOT_Q2 R224_MU RTOT_MU INC_MAX TOT_MAX; 11900
TITLE1 'JOB1 R1: BRPW PQ2-FY03 PERIODICALS PANEL'; 11900
TITLE2 'UPDATED SURVEY: FRAME SUMMARY REPORT'; 11900
TITLE4 'AVERAGES OVER LAST' &N_PQ 'PQ PERIODS'; 11900
TITLE5 'S_STATUS, A1,A2,B1 AND B2 FROM PQ3/01 SURVEY'; 11900
***** 11900
* SEC 13.4 * 11900
***** 11900
DATA _NULL_; SET POP; 11900
  ILE FRAME; 11900
PUT @1 BATCH 4. /* SURVEY BATCH NO. */ 11900
@6 FINNO 6. 11900
@13 CAG $1. /* FROM AIC FILE */ 11900

```

@15 F_STATUS \$9. /* FRAME STATUS - ALL SITES */	11900
@25 S_STATUS \$9. /* PQ3/01 SURVEY STATUS */	11900
35 INC_MAX 9. /* DECISION: HIGH PQ REV */	11900
45 TOT_MAX 9. /* DECISION: HIGH PQ REV */	11900
@55 SOURCE \$23. /* SOURCE(S) FOR INC/TOT MAX */	11900
@79 R224_Q2 9. /* FY2003Q2 AIC-224 */	11900
@89 RTOT_Q2 9. /* FY2003Q2 AIC-135 */	11900
@99 R224_MU 9. /* 2-YR AVE PQ AIC-224 */	11900
@109 RTOT_MU 9. /* 2-YR AVE PQ AIC-135 */	11900
@119 A1B1 9. /* PQ3/01 SURVEY INCOUNTY */	11900
@129 ABTOT 9.; /* PQ3/01 SURVEY IN/OUT TOTAL */	11900
/*	

```

//XXXXXXP JOB (ALA03),'XXXXXXX BIN 26',CLASS=H,MSGCLASS=H 10008
/*ROUTE PRINT U5704 30000
***** 40000
        JOB NAME: PDS.SAS2C(PNL2003B) 60000
/*      CREATE DATE: 1-10-03 60000
/*      PRIOR JOB: PDS.SAS2C(PNL2003A) 70000
/*      NEXT JOB: (NONE) 70000
/*      PURPOSE: NEW PANEL SELECTION - 2ND JOB 70000
/* 120008
//SO1   EXEC SAS,REGION=4096K,TIME=60 120008
//WORK  DD SPACE=(CYL,(900,700),RLSE) 140000
//SYSOUT DD DUMMY 250000
/* 140000
//FRAME DD DSN=XXXXXX.BRPWD01.PANEL2C.FY2003Q2.FRAME,DISP=SHR 140000
//RPWNAME DD DSN=HSF.ADGNYN.HQ070D01.FY01,DISP=SHR 140000
/* 140000
//PANEL DD DSN=XXXXXX.BRPWD01.PANEL2C.FY2003Q2.PANEL,DISP=SHR 140000
/*ANEL DD DSN=XXXXXX.BRPWD01.PANEL2C.FY2003Q2.PANEL, 140000
/*      DISP=(NEW,CATLG),DCB=(RECFM=FB,LRECL=125,BLKSIZE=5000), 140000
/*      UNIT=SYSDA,SPACE=(CYL,(200,250),RLSE) 140000
/* 140000
//SYSIN DD * 250000
                                           260000
***** 260000
GLOBALS * 260000
***** 260000
                                           260000
***** SETTINGS ***** 260000
%LET SEED=223451; * ALL SUBPOPS: RANDOM START (WITHIN H) SEED; 260000
%LET NHMIN=6 ; * STRATUM SAMPLE SIZE LOWER BOUND;
%LET INCR= 50; * INCREMENT FOR CUM-F DISTRIBUTION FOR AUX VAR;
%LET SUB_IND='N'; * SPLIT SUBPOP ON $IN-CNTY: 'Y'=YES, 'N'=NO;
%LET L2=5 ; * SUBPOP1 - DESIRED NUMBER OF STRATA;
%LET L3=1 ; * SUBPOP2 - DESIRED NUMBER OF STRATA;
%LET PSIZE2=44 ; * SUBPOP1 - DESIRED TOTAL SAMP SIZE (ACROSS H=L2);
%LET PSIZE3= 0 ; * SUBPOP2 - DESIRED TOTAL SAMP SIZE (ACROSS H=L3);
*****
*****
* SEC 20.0 *
*****
DATA MFRAME CERTNTY CONTROL; INFILE FRAME;
INPUT @1 BATCH 4. /* SURVEY BATCH NO. */
@6 FINNO 6.
@13 CAG $1. /* FROM AIC FILE */
@15 F_STATUS $9. /* FRAME STATUS - ALL NON-0 SITES */
@25 S_STATUS $9. /* PQ3/01 SURVEY STATUS */
@35 INC_MAX 9. /* DECISION TREE HI PQ REV */
@45 TOT_MAX 9. /* DECISION TREE HI PQ REV */
@55 SOURCE $23. /* SOURCE(S) FOR INC/TOT MAX */
@79 R224_Q2 9. /* FY2003Q2 AIC-224 */

```

```

@89 RTOT_Q2 9. /* FY2003Q2 AIC-135 */
@99 R224_MU 9. /* 2-YR AVE PQ AIC-224 */
109 RTOT_MU 9. /* 2-YR AVE PQ AIC-135 */
119 A1B1 9. /* PQ3/01 SURVEY IN/COUNTY */
@129 AB_TOT 9.; /* PQ3/01 SURVEY IN/OUT TOTAL */
*****

* FILTER *
*****
OUTPUT CONTROL;
IF F_STATUS = '<=$100' THEN DELETE;
ELSE IF F_STATUS = 'CBCIS' THEN OUTPUT CERTNTY;
ELSE OUTPUT MFRAME;
*****

* SEC 20.2 *
*****
DATA MFRAME; SET MFRAME;
IF &SUB_IND='N' THEN DO;
SUBPOP=2;
AUX_VAR=MAX(INC_MAX,0);
END;
ELSE DO;
IF INC_MAX >=50 THEN DO;
SUBPOP=2;
AUX_VAR=INC_MAX;
END;
ELSE DO;
SUBPOP=3;
AUX_VAR=TOT_MAX;
END;
END;
*****
* CONTROL RPT *
*****
PROC SUMMARY DATA=CONTROL; BY F_STATUS;
VAR INC_MAX TOT_MAX R224_Q2 RTOT_Q2 R224_MU RTOT_MU
A1B1 AB_TOT; OUTPUT OUT=CONTROL SUM=;
PROC PRINT DATA=CONTROL;
SUM INC_MAX TOT_MAX R224_Q2 RTOT_Q2 R224_MU RTOT_MU
A1B1 AB_TOT_FREQ;
TITLE1 'JOB-2 R0: BRPW PQ2-FY03 PERIODICALS PANEL';
TITLE3 'FRAME STATUS CONTROL REPORT';
TITLE4 '(SMALL REVENUE OFFICES DROPPED SHOWN)';
TITLE5 '*****';
PROC DELETE DATA=CONTROL;
*****
* HIST-GRAM *
*****
PROC SORT DATA=MFRAME; BY SUBPOP;
PROC MEANS MISSING; VAR AUX_VAR; BY SUBPOP;
TITLE1 'JOB-2 R1: BRPW PQ2-FY03 PERIODICALS PANEL';
TITLE3 'SAMPLING FRAME: DESCRIPTIVE STATS & HISTOGRAM';
TITLE4 '(PRIOR TO STRATIFICATION)';

```

```

TITLE5 'SUBPOP2: AUX_VAR = $INCOUNTY          ' ; 11900
TITLE6 'SUBPOP3: AUX_VAR = $INCOUNTY + $OUTSIDE'; 11900
  TLE7 '*****'; 11900
  PROC CHART DATA=MFRAME; BY SUBPOP; 11900
HBAR AUX_VAR / 11900
DISCRETE MISSING MIDPOINTS=0 TO 25000 BY 100; 11900
*****
* SEC 21.0 * /* STRATIFY ON (1) $IN-COUNTY, (2) $TOTAL */
*****;
*****
* CUM F *
*****;
DATA MFRAME; SET MFRAME;
MAXUP = AUX_VAR + &INCR/2;
INTERVAL =ROUND(MAXUP,&INCR);
PROC FREQ DATA=MFRAME; BY SUBPOP;
TABLES INTERVAL / OUT=KOUNTS NOPRINT;
DATA CUMF; SET KOUNTS; BY SUBPOP;
IF FIRST.SUBPOP THEN DO; EXP=&INCR; LASTCUMF=0; END;
CUMF=LASTCUMF + SQRT(COUNT + (INTERVAL-EXP)/&INCR);
EXP=INTERVAL +&INCR;
LASTCUMF=CUMF;
X=1;
RETAIN LASTCUMF EXP;
DROP LASTCUMF EXP;
*****
* ASSIGN STRATA *
*****;
DATA TOTCUMF; SET CUMF; BY SUBPOP X;
IF LAST.X;
TOTCUMF=CUMF;
KEEP SUBPOP TOTCUMF X;
DATA BOUNDS; MERGE CUMF TOTCUMF; BY SUBPOP X;
IF SUBPOP=2 THEN L=&L2;
IF SUBPOP=3 THEN L=&L3;
DO K=1 TO L;
IF CUMF LE (K/L)*TOTCUMF THEN GO TO G;
END;
G: STRATUM=L-K+1;
KEEP CUMF SUBPOP STRATUM INTERVAL X;
*****
* RENUM STRATA *
*****;
DATA BOUNDS; SET BOUNDS;
IF SUBPOP=2 THEN STRATUM=2+(STRATUM/10);
IF SUBPOP=3 THEN STRATUM=3+(STRATUM/10);
PROC PRINT DATA=BOUNDS; BY SUBPOP;
TITLE1 'JOB-2 R2: BRPW PQ2-FY03 PERIODICALS PANEL'; 11900
TITLE3 'IN-COUNTY STRATUM BOUNDARIES';
TITLE4 '*****'; 11900
PROC SORT DATA=MFRAME; BY SUBPOP INTERVAL;
PROC SORT DATA=BOUNDS; BY SUBPOP INTERVAL;

```

```

DATA MFRAME; MERGE MFRAME(IN=A) BOUNDS(IN=B); BY SUBPOP INTERVAL;
IF A NE B THEN ABORT;
*****
  _LLOCATE SIZE *
*****
PROC SORT DATA=MFRAME;          BY SUBPOP STRATUM;
PROC MEANS DATA=MFRAME MISSING NOPRINT; BY SUBPOP STRATUM;
ID X;
VAR AUX_VAR;
OUTPUT OUT=STATS1 SUM= STD=SH N=NH MEAN=MEANH;
DATA STATS2; SET STATS1;
NHSN=NH*SH;
PROC SUMMARY DATA=STATS2; BY SUBPOP;
ID X MEANH;
VAR NH NHSN;
OUTPUT OUT=STATS3 SUM=N NHSNSUM;
DATA STATS; MERGE STATS2 STATS3; BY SUBPOP X;
IF SUBPOP=2 THEN PSIZE=&PSIZE2;
IF SUBPOP=3 THEN PSIZE=&PSIZE3;
ARGU =   PSIZE*NHSN/NHSNSUM;
NHSAMP0 = ROUND(ARGU,1);
NHSAMP = MAX(&NHMIN,NHSAMP0);
VAR=SH*SH;
NHSNSH=NH*VAR;
  _ROP ARGU;
  _ROC PRINT; BY SUBPOP;
VAR STRATUM NH AUX_VAR MEANH SH VAR NHSAMP0 NHSAMP;
SUM      NH AUX_VAR      VAR NHSAMP0 NHSAMP;
TITLE1 'JOB-2 R3: BRPW PQ2-FY03 PERIODICALS PANEL';
TITLE3 'INCOUNTY: ALLOCATION OF SAMPLE SIZE N TO STRATA';
TITLE4 '(POPULATION STANDARD DEVIATION AND VARIANCE SHOWN)';
TITLE5 '*****';
*****
* SEC 21.0 * /* SELECT SAMPLE (SYSTEMATIC IN H, CIRCLE METHOD) */
*****
DATA SELECT; SET STATS;
ARGU1=NH/NHSAMP;
SKIP=ROUND(ARGU1,1);
SEED=INT(SKIP+STRATUM+&SEED);
ARGU2=0.5+NH*RANUNI(SEED);
RSTART=ROUND(ARGU2,1);
DO I=1 TO NHSAMP;
IF I=1 THEN UNIT=RSTART;
ELSE UNIT=MOD(UNIT+SKIP,NH);
IF UNIT=0 THEN UNIT=NH;
OUTPUT;
END;
KEEP SUBPOP STRATUM UNIT RSTART SKIP NH NHSAMP SEED;
*****
* SYSTEMATIC SORT * /* SYS SORT PRIOR TO DRAW TO REDUCE S-VAR */
***** /* (TOT_MAX USED FOR AUX_VAR ='0' SITES) */
PROC SORT DATA=MFRAME; BY SUBPOP STRATUM AUX_VAR TOT_MAX;

```

11900

11900

```

DATA MFRAME; SET MFRAME; BY SUBPOP STRATUM;
IF FIRST.STRATUM THEN UNIT=0;
  'IT=UNIT+1;
  _TAIN UNIT;
PROC SORT DATA=MFRAME;          BY SUBPOP STRATUM UNIT;
PROC SORT DATA=SELECT;          BY SUBPOP STRATUM UNIT;
DATA MANPOP; MERGE MFRAME SELECT(IN=B); BY SUBPOP STRATUM UNIT;
BLOWUP=NH/NHSAMP;
IF B=1 THEN SAMP=1;
*****

* COMBINE CERTNTY *
*****

DATA CERTNTY; SET CERTNTY;
SUBPOP=1;
STRATUM=1.0;
AUX_VAR=INC_MAX;
BLOWUP=1;
SAMP=1;
*****

* COLLAPSE * /* TO SINGLE OBSERVATION */
*****

PROC SUMMARY MISSING; ID SUBPOP STRATUM BLOWUP SAMP;
VAR AUX_VAR INC_MAX TOT_MAX R224_Q2 RTOT_Q2 R224_MU
RTOT_MU A1B1; OUTPUT OUT=CERTNTY SUM=;
  _ATA CERTNTY; SET CERTNTY;
  _I=_FREQ_; NHSAMP=_FREQ_;
*****

* CREATE POP, SAMP VARS *
*****

DATA POP; SET MANPOP CERTNTY;
RAUXPOP=AUX_VAR;
R224POP=R224_Q2;
RTOTPOP=RTOT_Q2;
IF SAMP=1 THEN DO;
RAUXSAMP=AUX_VAR;
R224SAMP=R224_Q2;
RTOTSAMP=RTOT_Q2;
END;
*****

* ADD NAMES *
*****

DATA RPWNAME; INFILE RPWNAME;
INPUT @1 AREA $2.
@3 FINNO 6.
/* @15 CAG $1. */
@16 PONAME $28.
@44 ST $2.
@46 ZIP $5.;
*****

* ADD AREA NAME *
*****

LENGTH AREANAME $14.;

```

```

IF AREA='4A' THEN AREANAME='NEW YORK METRO';
ELSE IF AREA='4B' THEN AREANAME='NORTHEAST';
ELSE IF AREA='4C' THEN AREANAME='EASTERN';
ELSE IF AREA='4E' THEN AREANAME='WESTERN';
ELSE IF AREA='4F' THEN AREANAME='PACIFIC';
ELSE IF AREA='4G' THEN AREANAME='SOUTHWEST';
ELSE IF AREA='4H' THEN AREANAME='SOUTHEAST';
ELSE IF AREA='4J' THEN AREANAME='GREATLAKES';
ELSE IF AREA='4K' THEN AREANAME='CAPITAL METRO';
PROC SORT DATA=POP; BY FINNO;
PROC SORT DATA=RPWNAME; BY FINNO;
DATA POP; MERGE POP(IN=A) RPWNAME; BY FINNO;
IF A=1;
*****
* OUTPUT TO FILE *
*****
DATA _NULL_; SET POP;
IF SAMP=1 AND STRATUM>=2.0;
PNAME='PRDCL';
CONTAC='POSTMASTER';
PHONE='999-999-9999';
FILE PANEL;
PUT @1 FINNO Z6.
@8 PNAME $5.
@14 STRATUM Z3.1
@18 PNAME $21.
@40 ST $2.
@43 ZIP 5.
@49 CONTAC $25.
@75 PHONE $12.
@88 BLOWUP Z8.3
@97 AREA $2.
@100 AREANAME $14.;
*****
* SEC 24.0 * /* ESTIMATED, ACTUAL S-ERROR */
*****
PROC SORT DATA=POP; BY STRATUM;
PROC SUMMARY DATA=POP BY STRATUM;
ID NH NHSAMP BLOWUP;
VAR RAUXSAMP R224SAMP RTOTSAMP RAUXPOP R224POP RTOTPOP;
OUTPUT OUT=HSUMS SUM=
VAR=RAUX_S2 R224_S2 RTOT_S2 RAUX_V R224_V RTOT_V;
DATA HSUMS; SET HSUMS;
ARRAY RSAMPH{3} RAUXSAMP R224SAMP RTOTSAMP;
ARRAY RTOTHATH{3} RAUXHAT R224HAT RTOTHAT;
ARRAY S2H{3} RAUX_S2 R224_S2 RTOT_S2;
ARRAY SVHATH{3} SVAUXHAT SV224HAT SVTOTHAT;
ARRAY CVHATH{3} CVAUXHAT CV224HAT CVTOTHAT;
DO I=1 TO 3;
RTOTHATH{I}=BLOWUP*RSAMPH{I};
IF STRATUM>=2.0 THEN DO;
SVHATH{I}=NH*NH*S2H{I}/NHSAMP;

```



```

IF RTOTHATH{I}>0 THEN
  CVHATH{I}=(1/RTOTHATH{I})*SVHATH{I}**0.5;
  D;
  .D;
  ARRAY RH{3} RAUXPOP R224POP RTOTPOP;
  ARRAY SVH{3} SVAUXPOP SV224POP SVTOTPOP;
  ARRAY VARH{3} RAUX_V R224_V RTOT_V;
  ARRAY CVH{3} RAUX_CV R224_CV RTOT_CV;
  IF STRATUM>=2.0 THEN DO;
    DO I=1 TO 3;
      SVH{I}=NH*NH*VARH{I}/NHSAMP;
      IF RH{I}>0 THEN CVH{I}=(1/RH{I})*SVH{I}**0.5;
    END;
  END;

```

**TABLE. FISCAL YEAR 2005 BRPW AUTOMATED OFFICES REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)**

2273

Service Category	REVENUE				PIECES			
	Estimate	C.V. ¹	95% Confidence Limit		Estimate	C.V.	95% Confidence Limit	
			Lower 2/	Upper 3/			Lower ²	Upper ³
First-Class Mail:								
Single-Piece Letters, Flats, & Parcels	732,812	0.00	732,812	732,812	1,174,480	0.00	1,174,480	1,174,480
Nonautom. Presort Letters, Flats, & Parcels	747,631	0.00	747,631	747,631	1,832,790	0.00	1,832,790	1,832,790
Automation Presort Letters and Flats	13,947,066	0.00	13,947,066	13,947,066	46,386,657	0.00	46,386,657	46,386,657
Automation Carrier Route Presort Letters	189,947	0.00	189,947	189,947	668,631	0.00	668,631	668,631
Total Presort Letters, Flats, & Parcels	14,884,644	0.00	14,884,644	14,884,644	48,888,077	0.00	48,888,077	48,888,077
Single-Piece Cards	52,355	0.00	52,355	52,355	227,938	0.00	227,938	227,938
Nonautomation Presort Cards	48,233	0.00	48,233	48,233	227,880	0.00	227,880	227,880
Automation Presort Cards	463,356	0.00	463,356	463,356	2,548,522	0.00	2,548,522	2,548,522
Automation Carrier Route Presort Cards	11,914	0.00	11,914	11,914	70,157	0.00	70,157	70,157
Total Presort Cards	523,502	0.00	523,502	523,502	2,846,559	0.00	2,846,559	2,846,559
Domestic Mail Fees								
Total First-Class Mail	16,193,547	0.00	16,193,547	16,193,547	53,137,486	0.00	53,137,486	53,137,486
Priority Mail	635,069	0.00	635,069	635,069	114,641	0.00	114,641	114,641
Domestic Mail Fees								
Total Priority Mail	635,069	0.00	635,069	635,069	114,641	0.00	114,641	114,641
Express Mail								
Mailgrams								
Periodicals:								
In-County	45,177	0.00	45,177	45,177	462,429	0.00	462,429	462,429
Regular	1,688,726	0.00	1,688,726	1,688,726	6,311,125	0.00	6,311,125	6,311,125
Special Nonprofit	317,277	0.00	317,277	317,277	1,783,225	0.00	1,783,225	1,783,225
Classroom	15,821	0.00	15,821	15,821	62,719	0.00	62,719	62,719
Domestic Mail Fees								
Periodical Mail	2,067,002	0.00	2,067,002	2,067,002	8,619,498	0.00	8,619,498	8,619,498
Standard Mail:								
Regular - Nonautomation Presort	1,121,573	0.00	1,121,573	1,121,573	3,001,290	0.00	3,001,290	3,001,290
- Automation Presort	10,422,328	0.00	10,422,328	10,422,328	50,544,299	0.00	50,544,299	50,544,299
Enhanced Carrier Route	5,230,982	0.00	5,230,982	5,230,982	31,194,411	0.00	31,194,411	31,194,411
Total Regular and ECR	16,774,881	0.00	16,774,881	16,774,881	84,739,992	0.00	84,739,992	84,739,992
Nonprofit - Nonautomation Presort	268,777	0.00	268,777	268,777	1,642,786	0.00	1,642,786	1,642,786
- Automation Presort	1,263,323	0.00	1,263,323	1,263,323	10,093,599	0.00	10,093,599	10,093,599
Nonprofit Enhanced Carrier Route	270,216	0.00	270,216	270,216	2,876,141	0.00	2,876,141	2,876,141
Total Nonprofit and Nonprofit ECR	1,802,316	0.00	1,802,316	1,802,316	14,612,526	0.00	14,612,526	14,612,526
Domestic Mail Fees								
Total Standard Mail	18,577,205	0.00	18,577,205	18,577,205	99,353,555	0.00	99,353,555	99,353,555
Package Services:								
Parcel Post	572,792	0.00	572,792	572,792	282,607	0.00	282,607	282,607
Bound Printed Matter	545,181	0.00	545,181	545,181	559,875	0.00	559,875	559,875
Media Mail	98,770	0.00	98,770	98,770	56,174	0.00	56,174	56,174
Library Mail	3,738	0.00	3,738	3,738	1,722	0.00	1,722	1,722
Domestic Mail Fees								
Total Package Services	1,220,480	0.00	1,220,480	1,220,480	900,378	0.00	900,378	900,378

**TABLE. FISCAL YEAR 2005 BRPW AUTOMATED OFFICES REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)**

2274

Service Category	REVENUE				PIECES			
	Estimate	C.V. ^{1/}	95% Confidence Limit		Estimate	C.V.	95% Confidence Limit	
			Lower ^{2/}	Upper ^{3/}			Lower ^{2/}	Upper ^{3/}
=====	=====	=====	=====	=====	=====	=====	=====	=====
U.S. Postal Service Mail								
Free Mail for the Blind and Handicapped								
Total Domestic Mail	38,693,936	N/C			162,126,909	N/C		
Total International Mail								
Total All Mail	38,693,936	N/C			162,126,909	N/C		
Domestic Special and Other Services:								
Registered Insurance	2,670	0.00	2,670	2,670				
Collect on Delivery								
Certified Delivery Receipt Services								
Money Orders								
Total Domestic Special Services	2,670	N/C						
Outstanding MO Taken into Revenue								
Stamped Envelopes and Cards								
Box Rents								
Total Domestic Services	2,670	N/C						
International Special Services:								
Total International Services								
Total Services	2,670	N/C						
Mail and Services	38,696,618	N/C						
Other Revenue								
Total Revenue	38,696,618	N/C						
USPS Special Service Transactions								
Registered								
Certified								
Delivery Receipt								
Mail Fee								
Special Handling								
Total USPS Special Service Transactions								

TABLE. FISCAL YEAR 2005 BRPW AUTOMATED OFFICES REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)

2275

REPORT FOOTNOTES

^{1/} Coefficient of Variation = $(100 \times (\text{Est. Std Error} / \text{Est. Revenue}))$

^{2/} Limit = Est. - $(1.96 \times \text{Est. Std Error})$

^{3/} Limit = Est. + $(1.96 \times \text{Est. Std Error})$

WEIGHT			
=====			
Estimate	C.V	95% Confidence Limit	
		Lower ²	Upper ³
=====			
125.361	0.00	125.361	125.361
102.186	0.00	102.186	102.186
2,102.128	0.00	2 102.128	2,102.128
30.086	0.00	30.086	30.086
2,234.399	0.00	2 234.399	2 234.399
2.145	0.00	2.145	2.145
2.476	0.00	2.476	2.476
29.452	0.00	29.452	29.452
723	0.00	723	723
32.652	0.00	32.652	32.652
2,394.593	0.00	2,394.593	2 394.593
254.147	0.00	254.147	254.147
254.147	0.00	254.147	254.147
152.810	0.00	152.810	152.810
3,186.128	0.00	3 186.128	3 186.128
509.437	0.00	509.437	509.437
33.654	0.00	33.654	33.654
3,882.030	0.00	3 882.030	3,882.030
598.018	0.00	598.018	598.018
4,559.650	0.00	4,559.650	4 559.650
5,235.124	0.00	5,235.124	5,235.124
10,392.791	0.00	10,392.791	10,392.791
106.356	0.00	106.356	106.356
731.524	0.00	731.524	731.524
235.343	0.00	235.343	235.343
1,073.223	0.00	1,073.223	1,073.223
11,465.812	0.00	11,465.812	11,465,812
1,385.699	0.00	1,385.699	1,385.699
1,310,735	0.00	1,310,735	1,310,735
127.482	0.00	127.482	127.482
5.378	0.00	5.378	5.378
2,829.294	0.00	2,829.294	2,829.294

WEIGHT			
=====			
Estimate	C.V.	95% Confidence Limit	
		Lower	Upper
=====			

-	N/C		
---	-----	--	--

-	N/C		
---	-----	--	--

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TABLE. FISCAL YEAR 2005 BRPW NON-AUTOMATED OFFICES REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)

Service Category	REVENUE				PIECES			
	Estimate	C.V. ^{1/}	95% Confidence Limit		Estimate	C.V.	95% Confidence Limit	
			Lower 2/	Upper 3/			Lower ^{2/}	Upper ^{3/}
First-Class Mail:								
Single-Piece Letters, Flats, & Parcels	18,521	0.48	18,345	18,697	28,543	0.50	28,259	28,826
Nonautom. Presort Letters, Flats, & Parcels	33,315	0.42	33,038	33,593	91,290	0.43	90,510	92,071
Automation Presort Letters and Flats	26,596	0.25	26,468	26,725	84,763	0.25	84,345	85,181
Automation Carrier Route Presort Letters	1,475	0.57	1,458	1,491	5,291	0.58	5,230	5,351
Total Presort Letters, Flats, & Parcels	61,386	0.29	61,036	61,736	181,344	0.29	180,310	182,378
Single-Piece Cards	18,041	0.19	17,975	18,106	78,437	0.19	78,150	78,723
Nonautomation Presort Cards	28,763	0.11	28,700	28,827	135,690	0.11	135,392	135,989
Automation Presort Cards	21,767	0.64	21,492	22,042	120,127	0.64	118,619	121,636
Automation Carrier Route Presort Cards	905	1.17	884	926	5,325	1.17	5,202	5,448
Total Presort Cards	51,435	0.28	51,154	51,717	261,142	0.30	259,593	262,691
Domestic Mail Fees								
Total First-Class Mail	149,149	0.20	148,560	149,738	549,034	0.22	546,602	551,467
Priority Mail	6,269	0.00	6,269	6,269	1,199	0.04	1,198	1,200
Domestic Mail Fees								
Total Priority Mail	6,269	0.00	6,269	6,269	1,199	0.04	1,198	1,200
Express Mail								
Mailgrams								
Periodicals:								
In-County	27,014	0.06	26,982	27,045	300,244	0.07	299,842	300,647
Regular	46,860	0.03	46,828	46,891	148,403	0.03	148,307	148,500
Special Nonprofit	262	0.41	260	264	1,858	0.45	1,841	1,874
Classroom								
Domestic Mail Fees								
Periodical Mail	74,136	0.00	74,136	74,136	450,505	0.04	450,146	450,865
Standard Mail:								
Regular - Nonautomation Presort	50,101	0.18	49,920	50,282	182,068	0.19	181,375	182,761
- Automation Presort	52,158	0.30	51,847	52,469	237,973	0.31	236,497	239,449
Enhanced Carrier Route	111,886	0.17	111,521	112,251	772,013	0.16	769,520	774,506
Total Regular and ECR	214,147	0.12	213,639	214,654	1,192,061	0.13	1,189,079	1,195,044
Nonprofit - Nonautomation Presort	26,470	0.13	26,404	26,535	164,417	0.13	163,999	164,835
- Automation Presort	12,471	0.21	12,420	12,522	89,173	0.20	88,823	89,522
Nonprofit Enhanced Carrier Route	14,159	0.16	14,114	14,205	180,852	0.18	180,226	181,479
Total Nonprofit and Nonprofit ECR	53,100	0.08	53,012	53,187	434,442	0.08	433,736	435,148
Domestic Mail Fees								
Total Standard Mail	267,238	0.10	266,724	267,752	1,625,466	0.10	1,622,353	1,628,578
Package Services:								
Parcel Post								
Bound Printed Matter								
Media Mail								
Library Mail								
Domestic Mail Fees								
Total Package Services								

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TABLE. FISCAL YEAR 2005 BRPW NON-AUTOMATED OFFICES REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)

Service Category	REVENUE				PIECES			
	Estimate	C.V. ¹	95% Confidence Limit		Estimate	C.V.	95% Confidence Limit	
			Lower ^{2/}	Upper ^{3/}			Lower ^{2/}	Upper ^{3/}
=====	=====	=====	=====	=====	=====	=====	=====	=====
U.S. Postal Service Mail								
Free Mail for the Blind and Handicapped								
Total Domestic Mail	496,159	0.08	495,347	496,971	2,624,853	0.08	2,620,763	2,628,944
Total International Mail								
Total All Mail	496,159	0.08	495,347	496,971	2,624,853	0.08	2,620,763	2,628,944
Domestic Special and Other Services:								
Registered								
Insurance	11	0.37	11	11				
Collect on Delivery								
Certified								
Delivery Receipt Services								
Money Orders								
Total Domestic Special Services	11	N/C						
Outstanding MO Taken into Revenue								
Stamped Envelopes and Cards								
Box Rents								
Total Domestic Services	11	N/C						
International Special Services:								
Total International Services								
Total Services	11	N/C						
Mail and Services	496,159	N/C						
Outstanding Revenue								
Total Revenue	496,159	N/C						
USPS Special Service Transactions								
Registered								
Certified								
Delivery Receipt								
Mail Fee								
Special Handling								
Total USPS Special Service Transactions								

TABLE. FISCAL YEAR 2005 BRPW NON-AUTOMATED OFFICES REVENUE, PIECES, AND WEIGHT 2280
 ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
 (Data in Thousands)

REPORT FOOTNOTES

^{1/} Coefficient of Variation = $(100 \times (\text{Est. Std Error} / \text{Est. Revenue}))$

^{2/} Lower Limit = $\text{Est.} - (1.96 \times \text{Est. Std Error})$

^{3/} Upper Limit = $\text{Est.} + (1.96 \times \text{Est. Std Error})$

WEIGHT			
=====			
Estimate	C. V.	95% Confidence Limit	
		Lower ²	Upper ³
=====			
2,889	0.46	2,863	2,916
4,734	0.45	4,692	4,776
4,108	0.25	4,087	4,128
199	0.48	197	201
9,041	0.30	8,989	9,094
706	0.36	701	711
755	0.18	752	758
961	0.69	948	974
43	1.11	42	44
1,760	0.38	1,746	1,773
14,360	0.23	14,296	14,425
2,047	0.03	2,046	2,048
2,047	0.03	2,046	2,048
100,019	0.07	99,890	100,148
43,447	0.08	43,382	43,511
120	0.45	119	121
143,585	0.05	143,457	143,714
12,397	0.16	12,359	12,436
16,302	0.28	16,213	16,392
136,833	0.22	136,245	137,420
165,534	0.18	164,950	166,117
10,066	0.16	10,033	10,098
6,508	0.25	6,475	6,540
8,397	0.24	8,358	8,436
24,970	0.12	24,913	25,028
-	-	-	-
190,705	0.16	190,105	191,305

WEIGHT			
=====			
Estimate	C.V.	95% Confidence Limit	
		Lower ²	Upper ³
=====	=====	=====	=====
-	-		
-	-		
21,176,574	N/C		
21,176,574	N/C		

TABLE. FISCAL YEAR 2005 BRPW REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)

Service Category	REVENUE				PIECES			
	Estimate	C.V.	95% Confidence Limit		Estimate	C.V.	95% Confidence Limit	
			Lower 2/	Upper 3/			Lower 2/	Upper 3/
First-Class Mail:								
Single-Piece Letters, Flats, & Parcels	751,333	1.12	734,756	767,911	1,203,023	1.11	1,176,716	1,229,329
Nonautom. Presort Letters, Flats, & Parcels	780,946	1.71	754,639	807,254	1,924,080	1.96	1,849,788	1,998,373
Automation Presort Letters and Flats	13,973,662	0.17	13,926,864	14,020,460	46,471,420	0.17	46,315,787	46,627,053
Automation Carrier Route Presort Letters	191,422	0.39	189,951	192,892	673,921	0.40	668,611	679,232
Total Presort Letters, Flats, & Parcels	14,946,030	0.11	14,913,642	14,978,418	49,069,422	0.11	48,963,088	49,175,755
Single-Piece Cards	70,395	7.80	59,578	81,212	306,374	7.79	259,357	353,391
Nonautomation Presort Cards	76,996	10.49	61,085	92,908	363,570	10.48	288,509	438,631
Automation Presort Cards	485,122	2.62	460,083	510,161	2,668,649	2.61	2,531,436	2,805,863
Automation Carrier Route Presort Cards	12,819	8.18	10,753	14,884	75,482	8.17	63,333	87,631
Total Presort Cards	574,937	2.52	546,395	603,479	3,107,701	2.49	2,955,259	3,260,143
Domestic Mail Fees	-	-	-	-	-	-	-	-
Total First-Class Mail	16,342,696	0.03	16,333,037	16,352,354	53,686,520	0.08	53,601,910	53,771,130
Priority Mail	641,339	0.00	641,339	641,339	115,839	0.05	115,725	115,953
Domestic Mail Fees	-	-	-	-	-	-	-	-
Total Priority Mail	641,339	0.00	641,339	641,339	115,839	0.05	115,725	115,953
Express Mail	-	-	-	-	-	-	-	-
Mailgrams	-	-	-	-	-	-	-	-
Periodicals:								
In-County	72,191	1.93	69,446	74,936	762,673	2.29	728,267	797,080
Regular	1,735,586	0.10	1,732,167	1,739,005	6,459,528	0.07	6,450,620	6,468,436
Special Nonprofit	317,539	0.32	315,537	319,541	1,785,083	0.31	1,774,181	1,796,984
Classroom	15,821	0.31	15,724	15,918	62,719	0.30	62,348	63,090
Domestic Mail Fees	-	-	-	-	-	-	-	-
Periodical Mail	2,141,137	0.00	2,141,137	2,141,137	9,070,003	0.20	9,034,267	9,105,739
Standard Mail:								
Regular - Nonautomation Presort	1,171,674	0.74	1,154,593	1,188,755	3,183,357	1.03	3,118,764	3,247,951
- Automation Presort	10,474,486	0.14	10,445,597	10,503,375	50,782,272	0.13	50,652,218	50,912,325
Enhanced Carrier Route	5,342,868	0.31	5,310,239	5,375,496	31,966,424	0.37	31,733,421	32,199,428
Total Regular and ECR	16,989,028	0.01	16,985,681	16,992,375	85,932,053	0.05	85,847,410	86,016,696
Nonprofit - Nonautomation Presort	295,246	0.97	289,605	300,888	1,807,203	1.02	1,770,889	1,843,517
- Automation Presort	1,275,794	0.35	1,266,997	1,284,590	10,182,772	0.34	10,114,568	10,250,976
Nonprofit Enhanced Carrier Route	284,375	1.56	275,636	293,115	3,056,994	2.09	2,931,128	3,182,859
Total Nonprofit and Nonprofit ECR	1,855,416	0.01	1,855,050	1,855,781	15,046,968	0.21	14,984,719	15,109,217
Domestic Mail Fees	-	-	-	-	-	-	-	-
Total Standard Mail	18,844,443	0.01	18,840,731	18,848,156	100,979,021	0.06	100,859,664	101,098,378
Package Services:								
Parcel Post	572,792	0.00	572,792	572,792	282,607	0.00	282,607	282,607
Bound Printed Matter	545,181	0.00	545,181	545,181	559,875	0.00	559,875	559,875
Media Mail	98,770	0.00	98,770	98,770	56,174	0.00	56,135	56,135
Library Mail	3,738	0.00	3,738	3,738	1,722	0.00	1,722	1,722
Domestic Mail Fees	-	-	-	-	-	-	-	-
Total Package Services	1,220,480	0.00	1,220,480	1,220,480	900,378	0.00	900,338	900,338

**TABLE. FISCAL YEAR 2005 BRPW REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)**

Service Category	REVENUE				PIECES			
	Estimate	C.V. ^{1/}	95% Confidence Limit		Estimate	C.V.	95% Confidence Limit	
			Lower 2/	Upper 3/			Lower ^{4/}	Upper ^{5/}
U.S. Postal Service Mail								
Free Mail for the Blind and Handicapped								
Total Domestic Mail	39,190,095	N/C			164,751.763	N/C		
Total International Mail								
Total All Mail	39,190,095	N/C			164,751.763	N/C		
Domestic Special and Other Services:								
Registered Insurance	2,681	0.14	2,674	2,689	751	0.16	748	754
Collect on Delivery Certified								
Delivery Receipt Services								
Money Orders								
Total Domestic Special Services	2,681	N/C			751	N/C		
Outstanding MO Taken into Revenue								
Stamped Envelopes and Cards								
Box Rents								
Total Domestic Services	2,681	N/C						
International Special Services:								
Total International Services								
Total Services	2,681	N/C						
Mail and Services	39,192,777	N/C						
Other Revenue								
Total Revenue	39,192,777	N/C						
USPS Special Service Transactions								
Registered								
Certified								
Delivery Receipt								
Mail Fee								
Special Handling								
Total USPS Special Service Transactions								

**TABLE. FISCAL YEAR 2005 BRPW REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS**
(Data in Thousands)

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REPORT FOOTNOTES

^{1/} Coefficient of Variation = (100 x (Est. Std. Error / Est. Revenue))

^{2/} Limit = Est. - (1.96 x Est. Std. Error)

^{3/} Limit = Est. + (1.96 x Est. Std. Error)

WEIGHT			
=====			
Estimate	C.V.	95% Confidence Limit	
		Lower ²	Upper ³
=====	=====	=====	=====
128,251	1.03	125,648	130,853
106,920	1.93	102,855	110,985
2,106,235	0.20	2,097,937	2,114,534
30,285	0.33	30,088	30,482
2,243,441	0.13	2,237,695	2,249,186
2,851	16.93	1,900	3,801
3,231	8.09	2,716	3,746
30,414	1.90	29,275	31,552
766	6.14	674	859
34,411	1.78	33,205	35,618
-	-	-	-
2,408,953	0.11	2,403,733	2,414,173
256,193	0.03	256,042	256,345
-	-	-	-
256,193	0.03	256,042	256,345
-	-	-	-
-	-	-	-
252,829	2.68	239,481	266,178
3,229,575	0.15	3,220,032	3,239,118
509,557	0.32	506,345	512,769
33,654	0.31	33,449	33,860
-	-	-	-
4,025,616	0.22	4,008,169	4,043,063
610,416	0.33	606,447	614,384
4,575,952	0.14	4,563,331	4,588,572
5,371,957	0.58	5,310,577	5,433,337
10,558,324	0.24	10,508,405	10,608,244
116,422	1.32	113,395	119,449
738,031	0.39	732,361	743,702
243,740	0.93	239,274	248,205
1,098,193	0.22	1,093,434	1,102,953
-	-	-	-
11,656,517	0.22	11,605,998	11,707,037
1,385,699	0.00	1,385,699	1,385,699
1,310,735	0.00	1,310,735	1,310,735
127,482	0.00	127,482	127,482
5,378	0.00	5,378	5,378
-	-	-	-
2,829,294	0.00	2,829,294	2,829,294

WEIGHT			
=====			
Estimate	C. V.	95% Confidence Limit	
		Lower ²	Upper ³
=====	=====	=====	=====
21,176,574	N/C		
21,176,574	N/C		

**TABLE. FISCAL YEAR 2005 DRPW REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)**

Service Category	REVENUE				PIECES			
	Estimate	C.V. ¹	95% Confidence Limit		Estimate	C.V.	95% Confidence Limit	
			Lower ^{2/}	Upper ^{3/}			Lower ⁴	Upper ⁵
First-Class Mail:								
Single-Piece Letters, Flats, & Parcels	18,910,777	0.16	18,851,170	18,970,384	42,172,966	0.29	41,932,031	42,413,900
Nonautom. Presort Letters, Flats, & Parcels	-	-	-	-	-	-	-	-
Automation Presort Letters and Flats	-	-	-	-	-	-	-	-
Automation Carrier Route Presort Letters	-	-	-	-	-	-	-	-
Total Presort Letters, Flats, & Parcels	-	-	-	-	-	-	-	-
Single-Piece Cards	528,442	0.70	521,155	535,730	2,215,340	0.72	2,183,917	2,246,762
Nonautomation Presort Cards	-	-	-	-	-	-	-	-
Automation Presort Cards	-	-	-	-	-	-	-	-
Automation Carrier Route Presort Cards	-	-	-	-	-	-	-	-
Total Presort Cards	-	-	-	-	-	-	-	-
Domestic Mail Fees	191,417	1.87	184,366	198,469	-	-	-	-
Total First-Class Mail	19,630,637	0.16	19,568,761	19,692,512	44,388,305	0.28	44,143,460	44,633,151
Priority Mail	3,990,364	0.52	3,949,487	4,031,242	771,610	0.82	759,145	784,174
Domestic Mail Fees	1,583	5.04	1,426	1,740	-	-	-	-
Total Priority Mail	3,991,947	0.53	3,950,267	4,033,627	771,610	0.93	757,473	785,736
Express Mail	-	-	-	-	-	-	-	-
Mailgrams	-	-	-	-	-	-	-	-
Periodicals:								
In-County	-	-	-	-	-	-	-	-
Regular	-	-	-	-	-	-	-	-
Special Nonprofit	-	-	-	-	-	-	-	-
Classroom	-	-	-	-	-	-	-	-
Domestic Mail Fees	5,635	0.00	5,635	5,635	-	-	-	-
Periodical Mail	5,635	0.00	5,635	5,635	-	-	-	-
Standard Mail:								
Regular - Nonautomation Presort	-	-	-	-	-	-	-	-
- Automation Presort	-	-	-	-	-	-	-	-
Enhanced Carrier Route	-	-	-	-	-	-	-	-
Total Regular and ECR	-	-	-	-	-	-	-	-
Nonprofit - Nonautomation Presort	-	-	-	-	-	-	-	-
- Automation Presort	-	-	-	-	-	-	-	-
Nonprofit Enhanced Carrier Route	-	-	-	-	-	-	-	-
Total Nonprofit and Nonprofit ECR	-	-	-	-	-	-	-	-
Domestic Mail Fees	35,522	3.15	33,318	37,726	-	-	-	-
Total Standard Mail	35,522	3.15	33,318	37,726	-	-	-	-
Package Services:								
Parcel Post	642,591	1.14	628,159	657,022	103,907	0.99	101,880	105,933
Bound Printed Matter	50,615	2.00	48,620	52,609	24,019	2.06	23,044	24,993
Media Mail	244,267	0.86	240,129	248,406	123,427	0.84	121,819	125,919
Library Mail	23,310	1.97	22,406	24,215	12,663	1.95	12,176	13,149
Domestic Mail Fees	1,129	4.70	1,025	1,234	-	-	-	-
Total Package Services	961,912	0.86	945,615	978,209	264,015	0.72	260,706	268,209

**TABLE. FISCAL YEAR 2005 DRPW REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)**

2289

Service Category	REVENUE				PIECES			
	Estimate	C.V. ^{1/}	95% Confidence Limit		Estimate	C.V.	95% Confidence Limit	
			Lower 2/	Upper 3/			Lower ^{2/}	Upper ^{3/}
U.S. Postal Service Mail	-	-			620.025	2.04	595.107	644.942
Free Mail for the Blind and Handicapped	-	-			76.122	3.45	70.948	81.295
Total Domestic Mail	24,625.653	N/C			46,120.077	N/C		
Total International Mail	70,020	N/C			4,194	N/C		
Total All Mail	24,695.673	N/C			46,124.272	N/C		
Domestic Special and Other Services:								
Registered	-	-			-	-		
Insurance	111,329	4.42	101,635	121,022	44,882	4.96	40,496	49,267
Collect on Delivery	168	49.67	4	333	56	49.66	1	111
Certified	600,632	1.43	583,712	617,553	261,144	1.31	254,405	267,884
Delivery Receipt Services	489,769	1.49	475,392	504,145	250,406	1.28	244,092	256,721
Money Orders	-	-			-	-		
Total Domestic Special Services	1,201,898	N/C			556,489	N/C		
Outstanding MO Taken into Revenue	-	-			-	-		
Stamped Envelopes and Cards	-	-			-	-		
Box Rents	-	-			-	-		
Total Domestic Services	1,201,898	N/C			-	-		
International Special Services:								
Total International Services	7,607	N/C			2,621	N/C		
Total Services	1,209,505	N/C						
Mail and Services	25,905,178	N/C						
Other Revenue	-	-						
Total Revenue	25,905,178	N/C						
USPS Special Service Transactions								
Registered					-	-		
Certified					1,224	9.80	988	1,461
Delivery Receipt					7,635	3.05	7,176	8,094
Mail Fee					13,475	5.07	12,129	14,821
Special Handling					132	80.15	0	339
Total USPS Special Service Transactions					22,466	3.35	20,983	23,949

TABLE. FISCAL YEAR 2005 DRPW REVENUE, PIECES, AND WEIGHT
ESTIMATES AND ASSOCIATED CONFIDENCE LIMITS
(Data in Thousands)

2290

REPORT FOOTNOTES

^{1/} Coefficient of Variation = $(100 \times (\text{Est. Std Error} / \text{Est. Revenue}))$

^{2/} Lower Limit = $\text{Est.} - (1.96 \times \text{Est. Std Error})$

^{3/} Upper Limit = $\text{Est.} + (1.96 \times \text{Est. Std Error})$

WEIGHT			
=====			
Estimate	C V	95% Confidence Limit	
		Lower ²	Upper ³
=====			
104,881	1.95	100.852	108.910
33,798	2.70	32.000	35.596
4,288,495	N/C		
17,583	N/C		
4,306,077	N/C		

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-13. On page 1 of USPS-LR-L-17, the Postal Service states that the BRPW System utilizes "a probability-based sample" of non-automated office segments. With respect to this statement please provide any analyses or calculations that demonstrate that the USPS' "probability-based sample" was randomly selected.

RESPONSE:

See my response to NNA/USPS-T3-12 and also the worksheets PAN2003A and PAN2003B in the attached EXCEL workbook.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-14. On page 1 of USPS-LR-L-17, the Postal Service states that the BRPW System utilizes "a probability-based sample" of non-automated office segments. With respect to this statement please provide any analyses or calculations that demonstrate that the USPS' "probability-based sample" was not biased.

RESPONSE:

See my response to NNA/USPS-T3-12 and the worksheets PAN2003A and PAN2003B in the attached EXCEL workbook. Random sampling procedures ensure that the sample selection is not biased.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-15. On page 2 of USPS-LR-L-17, the Postal Service provided Table 1. With respect to Table 1, please define each stratum shown for Periodicals (i.e.[.] 2.1, 2.2, 2.3, 2.4 and 2.5) and explain fully how the USPS selected the dividing lines between each stratum that is shown for Periodicals in Table 1.

RESPONSE:

See my response to NNA/USPS-T3-7.c that defines the revenue variable used for stratification, and how the dividing lines were established. See also the worksheets PAN2003A and PAN2003B in the EXCEL workbook attached to the response to NNA/USPS-T3-12. The strata boundaries are \$101 - \$600 for stratum 2.5, \$601 - \$1,600 for stratum 2.4, \$1,601 - \$3,500 for stratum 2.3, \$3,501 - \$8,150 for stratum 2.2, and \$8,151+ for stratum 2.1.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-16. On page 2 of USPS-LR-L-17, the Postal Service provided Table 1. With respect to Table 1, please explain fully whether the strata shown for Periodicals (i.e. 2.1, 2.2, 2.3, 2.4 and 2.5) are defined on the basis of revenue (or other measure of volume) for all Periodicals, for all Outside County Periodicals, for all Within County Periodicals or for each Periodical subclass separately. If the strata are defined separately for each Periodical subclass, please confirm that the USPS used the same sample of nonautomated office segments for each different subclass of Periodicals that it analyzed. Explain any answer other than a confirmation.

RESPONSE:

Not confirmed. The strata are defined as given in table 1. See also my response to NNA/USPS-T3-7.c. The data for all Periodicals subclasses are collected from the panel.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-17. On page 2 of USPS-LR-L-17, the Postal Service provided Table 1. With respect to Table 1, please provide the minimum and maximum Within County revenue levels that were used to group office segments in each stratum (i.e. 2.1, 2.2, 2.3, 2.4 and 2.5).

RESPONSE:

See my response to NNA/USPS-T3-15 for the upper and lower boundaries.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-18. On page 2 of USPS-LR-L-17, the Postal Service states, "The probability-based sample of the non-automated office segment was last updated at the beginning of FY2004." With respect to this statement, please explain fully for the Periodicals sample what exactly was "last updated at the beginning of FY 2004" and what was not.

RESPONSE:

Prior to the FY2004 panel update, a survey was conducted of post offices where In-County and Outside-County revenue was obtained for a given quarter. Utilizing this survey information, along with AIC revenue account information by finance number, and the financial data base of finance numbers reporting through the Postal Service's Trial Balance, a sampling frame was developed that was used to draw the updated panel. From the sampling frame, strata were developed as shown in table 1 of USPS-LR-L-17/R2006-1. Within each stratum, a random sample of panel offices was drawn. See also my response to NNA/USPS-T3-7.c.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-19. On page 2 of USPS-LR-L-17, the Postal Service states, "Table 1 provided the updated population and sample sizes used in FY 2005." With respect to this statement, please provide, for the Periodicals samples, populations and sample sizes based on data for FY 2004 and for FY 2005. Explain fully which of these data were used in the analyses in this case.

RESPONSE:

The population and sample size were the same for FY2004 and FY2005 estimation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-20. Refer to Table 1 in USPS-T-3. Provide, in the same format and for each of the same categories of mail shown in Table 1 that part of the revenue, piece and weight estimates derived solely from the ODIS-RPW system.

RESPONSE:

See the worksheet 'drpw' in the EXCEL workbook attached to the response to NNA/USPS-T3-12.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-21. Refer to Table 1 in USPS-T-3. Provide, in the same format and for each of the same categories of mail shown in Table 1 that part of the revenue, piece and weight estimates derived solely from the BRPW system.

RESPONSE:

See the worksheet 'brpw' in the EXCEL workbook attached to the response to NNA/USPS-T3-12.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-22. Refer to Table 1 in USPS-T-3. Provide, in the same format and for each of the same categories of mail shown in Table 1 that part of the revenue, piece and weight estimates derived solely from the automated office segment of the BRPW system as described on page 1 of USPS-LR-17/R2006-1.

RESPONSE:

See the worksheet 'auto' in the EXCEL workbook attached to the response to NNA/USPS-T3-12.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-23 Refer to Table 1 in USPS-T-3. Provide, in the same format and for each of the same categories of mail shown in Table 1 that part of the revenue, piece and weight estimates derived solely from the "bulk mail acceptance and financial reporting system maintained by the Postal Service's Marketing group" that is part of the BRPW system as described on page 1 of USPS-LR-17/R2006-1.

RESPONSE:

See the response to NNA/USPS-T3-22.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-24. *Refer to Table 1 in USPS-T-3. Provide, in the same format and for each of the same categories of mail shown in Table 1 that part of the revenue, piece and weight estimates derived solely from the non-automated office segment of the BRPW system as described on page 1 of USPS-LR-17/R2006-1.*

RESPONSE:

See the worksheet 'non-auto' in the EXCEL workbook attached to the response to NNA/USPS-T3-12.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-25. Please provide the revenue, piece and weight data for Within County Mail produced by the BRPW on a per-quarter basis for the Base Year.

RESPONSE:

These data are provided publicly in the Quarterly RPW Report. The BRPW estimate is listed under the "Periodicals In-County" line item of this report. Base Year data are also available in USPS-LR-L-20.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-27. Please provide for the base years used in dockets R2000-1 and R97-1 the percentage of reported volume derived from the probability-based sample? From the census-based system, e.g. Postal One?

RESPONSE:

The percentage of In-County volume from the probability-based sample in Base Year 1999 for the R2000-1 case was 49.0%. The Base Year 1996 percentage is not available or applicable as I understand it. The estimation procedure was changed, and the current design structure has been in use since the R2000-1 case.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-28. With respect to your response to NNA/USPS T3-1 for Within County subclass:

- a) Why did you choose to calculate CVs?
- b) Do you believe CVs have value in understanding the revenue, piece and weight data with respect to this subclass?
- c) Why did you choose 95% as an acceptable variation?

RESPONSE:

- a- c. See my response to NNA/USPS-T3-1 that lists Rule 31(k)(2)(ii) requiring the Postal Service to provide confidence limits for major estimates. Ninety-five percent confidence limits are 1.96 times the estimated standard of the estimate, and, therefore, when one provides the confidence interval one is also providing the coefficient of variation. Confidence intervals have value in understanding the degree with which the estimate can vary due to sampling variation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE NATIONAL NEWSPAPER ASSOCIATION

NNA/USPS-T3-29. Please confirm the following Within County Volumes and percentages of increase or decline. If you do not confirm, please provide corrections and explain the reason or reasons for the correction.

2004		760,020		-4.22%
2003		793,521		-6.63%
2002		849,911		-3.32%
2001		879,101		-2.00%
2000		897,069		0.40%
1999		893,454		-3.29%
1998		923,865		-2.45%
1997		947,047		7.89%
1996		877,829		-3.24%
1995		907,187		-9.86%
1994		1,006,421		-4.85%
1993		1,057,671		-11.32%
1992		1,192,671		1.12%
1991		1,179,504		-14.71%
1990		1,382,914		-5.20%
1989		1,458,827		-1.98%
1988		1,488,272		0.59%
1987		1,479,532		-14.87%
1986		1,737,956		-5.43%

RESPONSE:

Confirmed. However, the source we consulted showed Within County volume for 1988 as 1,488,271.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE UNITED PARCEL SERVICE

UPS/USPS-T3-3. Indicate the location of the raw data flat files or SAS files for the Bulk Mail Revenue, Pieces and Weight Adjustment System (ARPW) data referred to in USPS-T-3. If not available on the Commission's website, provide the data.

RESPONSE:

The raw data flat files that produce the quarterly estimates are provided in USPS-LR-L-164 under the directory UPS_USPS-T3-3, except where noted below. No file is needed in this instance to map mainframe file names to personal computer file names. The following data are direct input to the ARPW system:

ODIS-RPW data

HSISMN.ORPW.PS060D03.FYyyQTq (provided with USPS-LR-L-14)

HSISMN.ORPW.D2SUM.FYyyQTq

Record layout:

@1 M_CAT \$9.
@11 CAG \$1.
@13 STRATA \$3.
@19 TREVENUE 12.
@31 TPIECES 12.
@43 TPDS 12.

Bulk RPW data

HSQRAN.BRPWD01.TRANS.FYyyyyQq

Record layout:

@1 RPWCODE Z4.
@5 RHAT Z13.
@18 PHAT Z11.
@29 WHAT Z13.
@43 SYS \$6.
@49 AIC 3.
@53 AP \$2.
@55 QT 1.
@57 FY Z2.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE UNITED PARCEL SERVICE

International RPW data

HSISMN.RPW.SIRVO.RPWSUM.PQyyqq.DATA

Record layout:

@1 CATCODE 5.
@6 REVENUE 15.
@21 PIECES 15.
@36 WEIGHT 15.

HSISMN.RPW.ARPW.CNTL2005(IRPWDIR)

Record layout:

@1 CATCODE 5.
@6 MAILCAT 5.
@12 INVALID \$1.
@14 LABEL \$67.

Manual Input RPW data

HSISMN.RPW.FYyyyyQq.MISC

Record layout:

@1 MAILCAT \$9.
@62 DATA_TYP \$1.
@64 REV_NMSC 13.
@78 VOL_NMSC 13.
@92 LBS_NMSC 13.

Trial Balance Accounting Revenue Data

HSISMN.RPW.FY200603.TBINPUT
HSISMN.RPW.FY200606.TBINPUT
HSISMN.RPW.FY200609.TBINPUT
HSISMN.RPW.FY200612.TBINPUT

Record layout:

@1 GLA 9.3
@36 YTD 13.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD TO
INTERROGATORY OF THE UNITED PARCEL SERVICE

UPS/USPS-T3-4. Confirm that ODIS-RPW sampling excludes items that are included in BRPW sampling. If not fully confirmed, explain in detail how the ARPW addresses possible double counting of mail pieces that may get sampled by both systems?

RESPONSE:

Not confirmed. ODIS-RPW sampling does not exclude items that are included in BRPW. The exclusion process for official RPW reporting is completed within the ARPW System. The ODIS-RPW System produces RPW data and attaches a nine-digit mail category code to the data record. The BRPW system produces RPW data and attaches a four-digit mail category code to the data record. Mail category codes provide a unique identifier for the various data components. Note: the mail category directory (DCAT.TXT) was provided with the ARPW System documentation (USPS-LR-L-18). The DRPW (ODIS-RPW) and BRPW preparation programs (identified in Module 1 parts b. and d. on page three of the ARPW documentation) are used by the ARPW System to extract the in-scope data. These preparation programs in conjunction with the mail category directory process the appropriate components and prevent double counting of ODIS-RPW and BRPW data elements. Note: the DRPW and BRPW preparation programs (PDRPW.TXT and PBRPW.TXT) were provided with the ARPW documentation.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD
TO INTERROGATORY OF VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T3-1. Please refer to your testimony (USPS-T-3) at page 6, lines 13-17.

[Emphases provided by Valpak.]

- a. Do bulk mailing postage statements for Standard Mail, which you mention on line 17, now contain information on the volume of DALs entered by mailers? If not, on what form or forms is such information recorded?
- b. Will information on the volume of DALs entered by mailers be **collected** as part of the Bulk Revenue, Pieces and Weight System ("BRPW") which you discuss in Section IV of your testimony (USPS-T-3, pp. 6-8)? If not, will information on the volume of DALs be **collected** under any of the other data systems discussed in your testimony?
- c. Will information on the volume of DALs entered by mailers be **reported** on a regular basis as part of the BRPW which you discuss in Section IV, starting at page 6, of your testimony? If not, please indicate whether information on the volume of DALs will be part of one or more routine **reports** developed from any of the other data systems discussed in your testimony.

RESPONSE:

- a. Yes.
- b. Currently, information on the volume of DALs is not collected as part of BRPW, but I understand that some DAL data are entered on postage statements processed by PostalOne.
- c. Currently, DAL volume is not reported on a regular basis as part of BRPW. In the future, if the Postal Service's proposal to establish separate charges for mail accompanied by a DAL is implemented, then it seems reasonable to expect that volume information on DALs will need to be reported on a regular basis in some fashion. To my knowledge, details on any such reporting process have not yet been completed, but it seems likely that for any DAL categories that have a fee, DAL revenue will be reported on a regular basis as part of BRPW. The DAL volumes generating this DAL revenue will also be available from BRPW.

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS PAFFORD
TO INTERROGATORY OF VALPAK DEALERS' ASSOCIATION, INC.

VP/USPS-T3-3.

- a. Will data on the volume of DALs that mailers enter with the Postal Service be compiled quarterly, along with other BRPW data? If not, how often will data on the volume of DALs that mailers enter with the Postal Service be compiled?
- b. If data on the volume of DALs that mailers enter with the Postal Service is compiled quarterly, will such data be published in conjunction with other RPW data that are reported quarterly?

RESPONSE:

- a - b. See my response to VP/USPS-T3-1(c).

1 CHAIRMAN OMAS: This brings us to oral
2 cross-examination. Is there anyone who wishes to
3 cross-examine Witness Pafford?

4 (No response.)

5 CHAIRMAN OMAS: There was one that had
6 requested, but I don't see her in the hearing room.

7 Is there any additional request for cross-
8 examination?

9 (No response.)

10 CHAIRMAN OMAS: If not, Mr. Hollies, would
11 you like some time with your witness?

12 MR. HOLLIES: I think we can safely do
13 without that. Thank you.

14 CHAIRMAN OMAS: All right. Mr. Pafford,
15 that completes your appearance and your presentation
16 to us here this morning. We do appreciate it, and we
17 thank you for your contribution to the record. You
18 are now excused.

19 THE WITNESS: Okay. Thank you.

20 (Witness excused.)

21 CHAIRMAN OMAS: Our last witness is Thomas
22 Bozzo. There are no requests for oral cross-
23 examination of this witness.

24 Mr. Hollies? Mr. Reimer?

25 MR. KOETTING: Mr. Koetting, Mr. Chairman.

1 CHAIRMAN OMAS: I mean Mr. Koetting.

2 MR. KOETTING: It is my understanding that
3 Mr. Hezelton, who has been representing Mr. Bozzo with
4 respect to this testimony, inquired of the Commission
5 and was informed that there was no need for Mr. Bozzo
6 to appear this morning with respect to this testimony.

7 CHAIRMAN OMAS: Correct.

8 MR. KOETTING: Therefore, the Postal Service
9 has two copies of the direct testimony of A. Thomas
10 Bozzo on behalf of the United States Postal Service,
11 which has been designated USPS-T-46.

12 The Postal Service would request that that
13 testimony, which has not been revised since it was
14 submitted on May 3, along with the associated Category
15 II library reference, USPS-LR-L-128, be admitted into
16 evidence.

17 I do have two original declarations from
18 Witness Bozzo attached to the testimony.

19 CHAIRMAN OMAS: Thank you, Mr. Koetting.

20 Is there any objection?

21 (No response.)

22 CHAIRMAN OMAS: Hearing none, I will direct
23 counsel to provide the reporter with two copies of the
24 corrected direct testimony of Thomas Bozzo.

25 That testimony is received into evidence.

1 However, as is our practice, it will not be
2 transcribed.

3 (The document referred to was
4 marked for identification as
5 Exhibit No. USPS-T-46 and was
6 received in evidence.)

7 CHAIRMAN OMAS: Is there anyone with any
8 motions or statements?

9 MR. KOETTING: Mr. Chairman, we do have the
10 packet of designated written cross-examination. We
11 have reviewed it, and as near as we can tell there are
12 no revisions to be made to this packet.

13 CHAIRMAN OMAS: Okay. Please provide two
14 copies of the corrected designated written cross-
15 examination of Witness Bozzo to the reporter.

16 That material is received into evidence and
17 is to be transcribed into the record.

18 (The document referred to was
19 marked for identification as
20 Exhibit No. USPS-T-46 and was
21 received in evidence.)

22 //

23 //

24 //

25 //

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, DC 20268-0001

Postal Rate and Fee Changes, 2006

Docket No. R2006-1

DESIGNATION OF WRITTEN CROSS-EXAMINATION
OF UNITED STATES POSTAL SERVICE
WITNESS A. THOMAS BOZZO
(USPS-T-46)

Party

Interrogatories

Major Mailers Association

MMA/USPS-T1-2 redirected to T46
MMA/USPS-T22-2d redirected to T46

Postal Rate Commission

DMA/USPS-T46-1
MMA/USPS-T1-2 redirected to T46
MMA/USPS-T22-2d redirected to T46
NNA/USPS-T46-1-18, 20-28
UPS/USPS-T46-1-2
VP/USPS-T11-7-8 redirected to T46

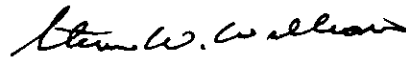
United Parcel Service

UPS/USPS-T46-1-2

Valpak Direct Marketing Systems,
Inc. and Valpak Dealers'
Association Inc.

VP/USPS-T11-7-8 redirected to T46

Respectfully submitted,



Steven W. Williams
Secretary

INTERROGATORY RESPONSES OF
UNITED STATES POSTAL SERVICE
WITNESS A. THOMAS BOZZO (T-46)
DESIGNATED AS WRITTEN CROSS-EXAMINATION

<u>Interrogatory</u>	<u>Designating Parties</u>
DMA/USPS-T46-1	PRC
MMA/USPS-T1-2 redirected to T46	MMA, PRC
MMA/USPS-T22-2d redirected to T46	MMA, PRC
NNA/USPS-T46-1	PRC
NNA/USPS-T46-2	PRC
NNA/USPS-T46-3	PRC
NNA/USPS-T46-4	PRC
NNA/USPS-T46-5	PRC
NNA/USPS-T46-6	PRC
NNA/USPS-T46-7	PRC
NNA/USPS-T46-8	PRC
NNA/USPS-T46-9	PRC
NNA/USPS-T46-10	PRC
NNA/USPS-T46-11	PRC
NNA/USPS-T46-12	PRC
NNA/USPS-T46-13	PRC
NNA/USPS-T46-14	PRC
NNA/USPS-T46-15	PRC
NNA/USPS-T46-16	PRC
NNA/USPS-T46-17	PRC
NNA/USPS-T46-18	PRC
NNA/USPS-T46-20	PRC
NNA/USPS-T46-21	PRC
NNA/USPS-T46-22	PRC
NNA/USPS-T46-23	PRC
NNA/USPS-T46-24	PRC
NNA/USPS-T46-25	PRC
NNA/USPS-T46-26	PRC
NNA/USPS-T46-27	PRC
NNA/USPS-T46-28	PRC
UPS/USPS-T46-1	PRC, UPS
UPS/USPS-T46-2	PRC, UPS

Interrogatory

VP/USPS-T11-7 redirected to T46

VP/USPS-T11-8 redirected to T46

Designating Parties

PRC, Valpak

PRC, Valpak

Response of United States Postal Service Witness A. Thomas Bozzo, USPS-T-46,
To Interrogatory of Direct Marketing Association

DMA/USPS-T46-1. Please refer to your description of the Beta test in USPS-T-46.

- a) Were the Beta sites randomly selected?
- b) If they were not, on what basis were they selected?
- c) To the extent that the Beta sites were not randomly selected, does this imply that the IOCS samples for the year that did not include the beta sites do not comprise a random sample? Please fully explain your response
- d) If the Beta sites were not randomly selected, please describe how one can rule out the hypothesis that the differences shown in Table 1 Tally Subclass Distribution could be caused by differences between Beta and NonBeta test sites, rather than by the revised IOCS software.

Response.

- a. No.
- b. The beta sites were selected according to several criteria. The beta sites were chosen to provide geographic variety (i.e., regional and urban/rural), and to cover certain specialized facility types (BMCs, PMPCs, ISCs). It was also desired that the beta sites have mail subclass mixes relatively close to the country as a whole, so that the representativeness of the IOCS production sample would be minimally affected by the beta test. The beta test sample size was also chosen to provide sufficient observations for analysis while minimally affecting the sampling variability of the production estimates.
- c. As I stated in the response to part b, while the beta sites were nonrandomly selected, they were chosen such that the beta test would have a minimal effect on the representativeness of the IOCS first stage sample for FY 2004. While random sampling is a means of obtaining representative samples, "randomness" and "representativeness" are not synonymous. Apart from the effect on the first-stage

Response of United States Postal Service Witness A. Thomas Bozzo, USPS-T-46,
To Interrogatory of Direct Marketing Association

panel, the subsequent sampling stages' randomness was unaffected by the beta test.

- d. It is not possible to definitively eliminate composition differences between the beta and FY 2004 production sites. However, methods such as comparing differences between the beta and production sites' data prior to the beta test may provide information on the possible magnitude of composition effects. Please note also that random selection of the beta sites would not, in itself, rule out the hypothesis that differences such as those shown in Table 1 were caused by differences in the sites.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatory of Major Mailers Association
Redirected from Witness Czigler (USPS-T-1)

MMA/USPS-T1-2

Please refer to your testimony on page 5 where you discuss the redesign of the IOCS "survey instrument."

- A. Is there any change in the IOCS that would tend to redistribute attributable costs from Standard presorted letters to First-Class presorted letters? Please explain your answer.
- B. Please confirm the adjusted test year unit costs as shown in the following table. The unit costs are taken directly from USPS library references in this case and in R2005-1. Automation and Nonautomation costs from R2005-1 have been combined using the appropriate volumes as shown so that presorted unit costs from R2006-1 can be compared to similar unit costs from R2006-1. In addition, the R2005-1 costs have been adjusted for the increase in the wage rate and for the premium pay adjustment factor. R2006-1 costs have been adjusted for the premium pay adjustment factor only. If you cannot confirm, please provide the corrected figures as well as your derivations.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	R2005-1					R2006-1				
Rate Category	TY 2006 Total Unit Cost (Cents)	Volume (000)	Hourly Wage Rate	Prem Pay Adj Factor	Adj Total Unit Cost (Cents)	TY 2008 Total Unit Cost (Cents)	Hourly Wage Rate	Prem Pay Adj Factor	Adj Total Unit Cost (Cents)	Change R2006-1 Vs. R2005-1
FC Auto (no CR)	3.5008	43,841,671	35.772	1.0140	3.667		37.992			
FC Carrier Route	1.8591	718,203	35.772	1.0140	1.947		37.992			
FC Auto	3.4743	44,559,875	35.772	1.0140	3.639		37.992			
FC NonAuto	18.9655	1,949,367	35.772	1.0140	19.864		37.992			
FC Presorted	4.1236	46,509,242	35.772	1.0140	4.319	4.587	37.992	1.013	4.5275	4.83%
Std Auto	3.3988	44,600,687	35.772	0.9711	3.717		37.992			
Std NonAuto	16.2625	3,517,027	35.772	0.9711	17.785		37.992			
Std Presorted	4.3391	48,117,714	35.772	0.9711	4.745	4.059	37.992	0.974	4.1679	-12.17%
Source: USPS-LR	K-53	K-53	K-48	K-48	(1)*(7)/(5)/(4)	L-53	L-48	L-48	(6)/(8)	(9)/(5) - 1

- C. Please explain why the adjusted unit cost for First-Class Presorted letters would increase 4.8% while the adjusted unit cost for Standard Presorted letters would decrease by 12.2% for data based on two consecutive years (BY2004 and BY 2005)?

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatory of Major Mailers Association
Redirected from Witness Czigler (USPS-T-1)

Response.

A. No. As shown in USPS-T-46, Table 2 (page 24) and Table 3 (page 26), error rates at the CRA subclass level are lower with the redesigned IOCS questionnaire for FY 2005 than the old IOCS questionnaire used in the FY 2004 production data. Moreover, error rates at the class level are low, and considerably lower than at the subclass level, since most subclass errors are within classes of mail—i.e., the class is correctly determined, but not necessarily the subclass or rate category. This implies that the risks of incorrectly “redistributing” costs have decreased.

B. Not confirmed. A corrected table is provided below.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	R2005-1					R2006-1				
Rate Category	TY 2006 Total Unit Cost (Cents)	Volume (000)	Hourly Wage Rate	Prem Pay Adj Factor	Adj. Total Unit Cost (Cents)	TY 2008 Total Unit Cost (Cents)	Hourly Wage Rate	Prem Pay Adj Factor	Adj. Total Unit Cost. Cents	% Change R2006-1 Vs R2005-1
FC Auto (no CR)	3.5008	43,841,671	35.772	1.00994	3.681		37.992			
FC Carrier Route	1.8591	718,203	35.772	1.00994	1.955		37.992			
FC Auto	3.3153	44,559,875	35.772	1.00994	3.486		37.992			
FC NonAuto	18.9655	1,949,367	35.772	1.00994	19.944		37.992			
FC Presorted	4.1236	46,509,242	35.772	1.00994	4.336	4.587	37.992	1.013	4.528	4.42%
Std Auto	3.3988	44,600,687	35.772	0.9711	3.717		37.992			
Std NonAuto	16.2625	3,517,027	35.772	0.9711	17.786		37.992			
Std Presorted	4.3391	48,117,714	35.772	0.9711	4.746	4.059	37.992	0.974	4.167	-12.18%
Source: USPS-	K-53	K-53	K-48	K-48	(1)*(7)/ (3)/(4)	L-53	L-48	L-48	(6)/(8)	(9)/(5) -1

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatory of Major Mailers Association
Redirected from Witness Czigler (USPS-T-1)

C. Please see the response to MMA/USPS-T22-2, part d.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatory of Major Mailers Association
Redirected from Witness Abdirahman

MMA/USPS-T22-2

On page 6 of your testimony you discuss the problem associated with separating Nonautomation and Automation letter costs within the in-office cost system. To solve this problem you have obtained combined the costs from the CRA and used the mail flow models as the basis to de-average the CRA costs into Nonautomation and Automation costs. You also indicate that separate costs for Nonautomation and automation letters are no longer available to you.

- A. Has the postal service officially combined Nonautomation and Automation costs within the in-office cost system? If so, please provide the date when this change took place. If not, please provide the unit costs separately for Nonautomation and Automation letters as determined by the CRA data system.
- B. Please confirm that you show the total unit cost to process an average First-Class presorted letter (Nonautomation and Automation combined) and an average Standard presorted letter (Nonautomation and Automation combined) as 4.59 cents and 4.06 cents, respectively, for TY 2008 in this case. (See USPS-LR-L-48, pages 3 and 45) If not, please provide the correct total unit costs.
- C. Please confirm that in R2005-1, you showed that the total unit cost to process an average First-Class and Standard presorted letter (Nonautomation and Automation combined) for TY 2006 was 4.12 and 4.34 cents, respectively, as derived in the following table. If you cannot confirm, please provide the correct unit cost figures.

	(1)	(2)	(3)	(4)
Rate Category	R2005-1 CRA TY Unit Cost (\$)	Associated Volume (000)	Total Cost (\$ 000) (1) x (3)	Combined Unit Cost (\$) (3) / (2)
First-Class:				
Nonautomation	0.1897	1,949,367	369,707	
Automation (No Car Rt)	0.0350	43,841,671	1,534,799	
Carrier Route	0.0186	718,203	13,352	
Presorted		46,509,242	1,917,859	0.0412
Standard:				
Nonautomation	0.1626	3,517,027	571,957	
Automation	0.0340	44,600,687	1,515,895	
Presorted		48,318,487	2,087,853	0.0434

Source: USPS-LR-K-53

- D. Please explain why the total unit cost to process presorted First-Class letters was **lower** by 0.22 cents than the total unit cost to process presorted Standard mail for the test year in R2005-1, but **higher** by 0.53 cents for the test year in R2006-1.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatory of Major Mailers Association
Redirected from Witness Abdirahman

- E. Please confirm that, for First-Class presorted letters, the total unit processing cost is expected to increase by 11.4% (4.59/4.12 -1.00) between the R2005-1 test year (2006) and the R2006-1 test year (2008). If not, please provide the correct percentage increase.
- F. Please confirm that, for Standard presorted letters, the total unit processing cost is expected to decrease by 6.5% (4.06/4.34 -1.00) between the R2005-1 test year (2006) and the R2006-1 test year (2008). If not, please provide the correct percentage increase.

Response.

A. Answered by witness Smith (USPS-T-13)

B-C. Answered by witness Abdirahman (USPS-T-22)

D. The introduction of the redesigned IOCS data collection instrument is the likely major cause of the observed cost shift. Please see USPS-T-46, pages 38-39 (section IV.C.2).

E-F. Answered by witness Abdirahman (USPS-T-22).

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-1 Please refer to Table 1, the Beta Test Direct Tally Subclass Distribution that appears on page 21 of your testimony (USPS-T-46). With respect to this table, please provide the comparable percentage distributions for both beta and non-beta tests for Clerk and Mail Handler and for Carrier Direct tallies that were tabulated for Within County Periodicals. If Within County Periodicals were not studied in either or both of these tests, please explain why they were not studied.

Response.

Within-County Periodicals were not studied separately from Outside-County Periodicals in the beta test because the test would not be expected to produce sufficient Within-County tallies to support statistical inference. The "non-beta" data are not test data, but rather are IOCS production data from the time period corresponding to the beta test data. The table below shows the Outside-County and Within-County detail for the non-beta Periodicals tallies shown in USPS-T-46, Table 1.

Category	Non-Beta Sites		
	Clks/MH	Carriers	Total
Total Periodicals (USPS-LR-L-128, Table1.xls)	6.4%	8.2%	6.9%
Within-County Periodicals	0.3%	0.2%	0.3%
Outside County Periodicals	6.1%	8.0%	6.6%

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-2 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), please provide supporting citations from statistical literature that define the term "Approximate Standard Difference" that appears in the last column of Table 6.

Response.

The "standard difference" is simply the ratio of the relative difference shown in the "Unit Cost vs. Cost Level" column to an estimated standard error of the difference, calculated under the assumption that the unit costs, adjusted for the cost level, are drawn from the same distribution. The purpose is to identify differences between the BY04 and BY05 cost estimates that cannot be explained by sampling variation in the unit cost estimates, adjusted for the change in the level of mail processing volume-variable costs.

The calculation is "approximate" in that it does not make use of the exact distribution(s) of the estimates, and in that it uses the BY05 standard errors (via the BY05 CVs reported in USPS-T-1 by Dr. Czigler) to estimate the standard errors of the adjusted cost differences.

Consider two independent estimators c_1 and c_2 with equal variance σ^2 , and the scaled difference $(c_1 - c_2)/c^*$, where c^* is a constant. Then the standard deviation of $(c_1 - c_2)/c^*$ is $\sqrt{2}\sigma/c^*$. If c^* is a realized value of c_1 (or c_2), then $\hat{\sigma}/c^*$ is the coefficient of variation, i.e., the standard deviation of $(c_1 - c_2)/c^*$ is estimated by $\sqrt{2}CV_c$.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

Alternatively, note that the ratio v_1/v_2 of two independent identically distributed normal distributed random variables v_1 and v_2 , with means large relative to the standard deviations, has an approximate normal distribution with mean 1 and standard deviation $\sqrt{2}\sigma/\mu$. See George Marsaglia, "Ratios of Normal Variables and Ratios of Sums of Uniform Variables," *Journal of the American Statistical Association*, 60 (1965), 193-204.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-3 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), please define the term, "approximate CV" as that term appears in the supporting note on Table 6.

Response.

Please see the response to NNA/USPS-T46-2.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-4 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), Please explain why you have used "CV's" in the calculations that appear on Table 6.

Response.

Please see the response to NNA/USPS-T46-2.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-5 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), please confirm that the "approximate CV" for Within County Periodicals that was used to derive the Approximate Standard Difference of 3.40 shown in the last column of Table 6 was 16.4%. If this value cannot be confirmed, please provide the correct CV for Within County Periodicals that was used in this calculation and supporting work papers showing how this CV was derived.

Response.

Confirmed. Please see the response to NNA/USPS-T46-2 for a discussion of the relationship with the estimated CVs of the mail processing costs.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-6 With regard to Table 6 that appears on page 34 of your testimony (USPS-T-46), please provide the underlying data that was specifically used to calculate each change in the mail processing cost for Within County Periodicals that appears in the row labeled Within County Periodicals.

Response.

The underlying data are provided in USPS-LR-L-128, file Table 6.xls,

'Decomposition' tab.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-7 On page 35 of your testimony (USPS-T-46), you state at lines 7-8, "The Within-County increase appears to have resulted from new methods to facilitate identification of Periodicals in the redesigned Question 23." With respect to this statement, please define each new method to which you are referring and explain fully how each new method "facilitated" the identification of Periodicals as compared to prior years.

Response.

In the redesigned IOCS data collection instrument, when data collectors record that a piece has no indicia in question Q23E2, "Presence of Indicia", the subsequent question Q23E6, "Periodicals Check" asks "Is the mailpiece a Periodical, for example a regularly published magazine, newspaper, or newsletter?"

Previously, data collectors were required to recognize pieces as Periodicals, enter the Periodicals class in question 23B, and then enter the publication title information. As I stated in USPS-T-46, pages 35-36, the previous procedure appears to have been problematic for correctly coding tallies of relatively obscure Periodicals titles.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-8 On page 35 of your testimony (USPS-T-46), you state at lines 12-15, "In FY 2004, the Periodicals lookup list was greatly expanded, from fewer than 1,500 titles to more than 20,000 titles, resulting in an increase in tallies concentrated in Outside-County Periodicals titles added to the list in FY 2004." With respect to this statement, please provide the increases in actual tallies that resulted from the expansion of the lookup list in FY 2004 that was observed for Outside County Periodicals and for Within County Periodicals.

Response.

I assume that the reference to "actual tallies" seeks the tally record counts (vs. weighted tallies) consistent with USPS-T-46, Table 7. The data are provided in the table below. However, please note that comparisons should be based on weighted tallies to account for variations in sampling rates among IOCS sampling strata as well as the reduction in overall sample size for the IOCS production data in FY04 due to the beta test of the redesigned IOCS software.

Category	FY03		FY04		FY03 FY04 Increase
	Tally Ct	% of Total	Tally Ct	% of Total	
In-County in FY03 lookup table	21	30%	12	19%	-9
In-County in FY04 lookup table	25	35%	33	52%	8
In-County not in either lookup table	25	35%	19	30%	-6
Total In-County	71	100%	64	100%	-7
Outside County in FY03 lookup table	3,155	74%	2,355	58%	-800
Outside County in FY04 lookup table	878	21%	1,508	37%	630
Outside County not in either lookup table	207	5%	212	5%	5
Total Outside County	4,240	100%	4,075	100%	-165
Total Periodicals in FY03 lookup table	3,176	74%	2,367	57%	-809
Total Periodicals in FY04 lookup table	903	21%	1,541	37%	638
Total Periodicals not in either lookup table	232	5%	231	6%	-1
Total Periodicals	4,311	100%	4,139	100%	-172

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-9 On page 35 of your testimony (USPS-T-46), you state at lines 19-21, "Between BY 2004 and BY 2005, the increase in Periodicals tallies was concentrated in Within-County titles not included in the FY 2004 or pre FY 2004 lookup lists." With respect to this statement, please provide a list of all Within County lookup titles where tallies were recorded in BY 2005 that were included in the FY 2004 lookup list and a separate list of all Within County titles where tallies were recorded in BY 2005 that were not on the FY 2004 lookup list.

Response.

To clarify, the lookup list does not identify titles as Within-County or Outside County Periodicals.

The titles included in the lookup list and titles not included in the lookup list for tallies classified as Within-County are provided below

Titles Included in Lookup List Pre-FY04

CHICAGO
CHINESE DAILY NEWS
CLEVELAND JEWISH NEWS
CRAIN'S CHICAGO BUSINESS
GREEN VALLEY NEWS AND SUN
PACIFIC BUSINESS NEWS
PLI NEWS
RAFU SHIMPO
THE JOURNAL RECORD
THE KOREA TIMES
THE RECORD
WESTWAYS

Titles Included in FY04 lookup list

AAA MOTORIST WESTERN PENNSYLVANIA
BIRMINGHAM
BISMARCK TRIBUNE (THE)
BUSINESS PRESS
CRUIS'NEWS
DAILY ARDMOREITE (THE)
DIALOG (THE)
ENFIELD PRESS

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

Titles Included in FY04 lookup list (cont'd)

FORT BRAGG ADVOCATE-NEWS
HAWAII BAR JOURNAL
INDIA JOURNAL
INDOAMERICAN NEWS
JEWISH HERALD-VOICE
KANSAS CITY JEWISH CHRONICLE (THE)
LA CROSSE TRIBUNE
LANCASTER NEWS
MEMPHIS BUSINESS JOURNAL
NATIONAL INTEREST (THE)
NEWS GRAPHIC
PAWLING NEWS CHRONICLE
PENFIELD POST
PUGET SOUND JOURNEY
SMITHVILLE LAKE HERALD (THE)
SOUTHWEST DAILY TIMES
ST. LOUIS BUSINESS JOURNAL
THE NEWS LEADER
THE BISMARCK TRIBUNE
THE GREENVILLE NEWS
THE HUB
THE MINNESOTA ASSOCIATION OF TOWNSHIPS
TIME OUT NEW YORK
TIMES JOURNAL
TODAY'S NEWS HER
VALUE LINE CONVERTIBLES SURVEY (THE)
VALUE LINE DAILY OPTIONS SURVEY (THE)
WYANDOTTE COUNTY LEGAL NEWS
WYOMING TRIBUNE-EAGLE

Titles Not Included in FY04 Lookup List

AMITYVILLE RECORD
ARMADILLO LITERARY GAZETTE
AUGUSTA WEST ROTARY CLUB
BINNACLE
BIRDVILLE NEWSLETTER
BURNS TIME HAROLD
CALAVERAS ENTERPRISES
CAPE COD VOICE (THE)
CLYDE REPUBLICAN
DODGE CRITERION
DRAIN ENTERPRISE
EBENEZER EAGLE

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

Titles Not Included in FY04 Lookup List (cont'd)

FIRST UNITED METHODIST CHURCH NEWS LETTER

FOCUS

FONTANA

GAZETTE

GENESEO'S REPUBLIC

GONZALES TRIBUNE

HOUSTON CHRONICLE

JAPANESE DAILY SUN

LAUREN COUNTY ADVERTISEMENT

LICKING NEWS

NORWELA NEWS

OLIVETTER

OSHKOSH NORTHWESTERN

PORT ARANSAS SOUTH JETTY

POST TELEGRAPH

REAL ESTATE WEEKLY

RICHLAND OBSERVER

SEDGWICK COUNTY THE POST

ST. PAUL LEGAL LEDGER

STAR HERALD

TEMPLE BETH EL

THE ALAMANCE NEWS

THE BAYOU JOURNAL

THE CHARLOTTE POST

THE FRANKLIN PRESS

THE HAWAII HOCHI

THE MISSISSIPPI LINK

THE OUTLOOK

THE PARK CITIES NEWS

THE TIE

TONGANOXIE MIRROR

TRI COUNTY NEWS

WARWICK BEACON

WILSONVILLE SPOKESMAN

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-10 On page 36 of your testimony (USPS-T-46), you state at lines 1-3, "Any tally preliminarily identified as Within-County Periodicals in the automated processing of IOCS data is reviewed for evidence of eligibility to claim Within County rates (See USPS-LR-L-9, Appendix D)" With respect to this statement, please describe fully how such preliminarily identified tallies are "reviewed for evidence of eligibility" to claim Within County rates.

Response.

The review procedures are described fully in USPS-LR-L-9, Appendix D.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-11 On page 36 of your testimony (USPS-T-46), you state at lines 1-3, "Any tally preliminarily identified as Within-County Periodicals in the automated processing of IOCS data is reviewed for evidence of eligibility to claim Within County rates (See USPS-LR-L-9, Appendix D)" With respect to this statement, please confirm that if a tally has been reviewed for evidence of eligibility to claim Within County rates and if evidence has been found to support that claim, that the Postal Service then assumes, in all such cases, that the postage for that underlying piece was actually calculated at Within County Rates. Please explain any answer other than a confirmation.

Response.

Confirmed.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-12 On page 36 of your testimony (USPS-T-46), you state at lines 1-3, "Any tally preliminarily identified as Within-County Periodicals in the automated processing of IOCS data is reviewed for evidence of eligibility to claim Within County rates (See USPS-LR-L-9, Appendix D)" With respect to this statement, please describe any circumstances known to you where a Periodical might be eligible to claim Within County status but nevertheless was not mailed at Within County rates. Explain each circumstance fully

Response.

I am not aware of any such circumstances. While I cannot rule out the possibility that examples could exist that I am not aware of, my understanding is that the rate differentials between Within-County and Outside-County Periodicals provide a strong incentive for mailers to claim Within-County rates for eligible pieces

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-13 On page 36 of your testimony (USPS-T-46), you state at lines 3-6 "Since title information must be entered in IOCS, and the tallies are reviewed after processing, I consider it unlikely that piece [sic] not belonging to the Within-County subclass are being misidentified." With respect to this statement please provide any reasons other than the reasons described at lines 3-6, why Dr. Bozzo considers it unlikely that pieces not belonging to the Within-County subclass are being misidentified.

Response.

In addition to the reasons stated in my testimony, the results of the IOCS testing showed no examples of pieces of other subclasses misidentified as Periodicals

See USPS-T-46, page 36, lines 6-7.

Response of United States Postal Service Witness A Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-14 On page 36 of your testimony (USPS-T-46), you state at lines 6-7, "The photocopy and keying studies also showed no tendency for data collectors to misidentify pieces of other classes as Periodicals." Please confirm that neither the photocopy nor keying studies specifically analyzed Within County Periodical pieces. Explain any answer other than a confirmation.

Response.

Confirmed. Please see also the response to NNA/USPS-T46-1.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-15 Does "evidence of eligibility" as you use the term on p. 36 of your testimony mean that the Postal Service has determined for each title listed in the lookup titles referenced on p. 35 that the publication's characteristics are in compliance with 39 USC §3626? If your answer is yes, please explain how the Postal Service made this determination for each publication. If your answer is no, please explain what "evidence of eligibility" means.

Response.

The review of the tallies makes use of mailing statement data where possible.

That is, if the mailing statements indicate pieces entered at Within-County rates, the publication's eligibility is assumed to have been determined in the course of approving the publication for mailing at Periodicals rates. Mailing statement data are not available for some titles entered at small offices not linked to the PostalONE system. In those cases, reference sources are consulted to evaluate the publication's eligibility under DMM 707.11.3.1. Please see also USPS LR 19, Appendix D.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-16 Please confirm that a publication eligible to mail at Within County rates may also enter pieces into the mailstream that are not eligible for Within County rates, and that such pieces might appear identical to the eligible pieces.

Response.

Confirmed that publications eligible to claim Within-County rates also enter pieces at Outside County rates. Not confirmed that the Outside-County pieces appear identical to the eligible Within-County pieces when recorded in IOCS. In most cases, the Outside-County pieces can be identified by the outside-county destination recorded in the IOCS tally.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of the National Newspaper Association

NNA/USPS-T46-17 Please confirm that a publication mailed by a Within-County eligible publisher that is received by a recipient outside the publisher's county of entry will likely be ineligible for the Within County subclass, and if you do confirm, please explain how the data collector would be trained and/or prompted by the options in Question 23 to correctly identify that mailpiece.

Response.

Confirmed that pieces addressed to recipients outside the county of entry will be ineligible for Within-County rates.

IOCS data collectors record the publication title, ISSN, and/or publication number and the destination ZIP Code of the piece; data collectors are not responsible for identifying the rate category for tallies of Periodicals pieces. The destination information is used in subsequent IOCS tally processing to identify tallies of pieces addressed to recipients outside the county of entry.

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

NNA/USPS-T46-18 Please refer to your response to NNA/USPS-T46-1. With respect to this answer please confirm that since Within County Periodicals were not studied separately from Outside County Periodicals in the beta test, that you are not able to calculate a percentage "shift" for Within County Periodicals that would be comparable to the percentage shifts for other subclasses that appear in your Table 1. Please explain fully any answer other than a confirmation.

Response.

Partly confirmed. It is technically possible to subject the beta test tallies to the same editing procedures employed to identify Within-County Periodicals in the production data. However, as I noted in the NNA/USPS-T46-1 response, the expected result would be insufficient observations of Within-County Periodicals to support statistical inferences.

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46)To Interrogatories of the National Newspaper Association

NNA/USPS-T46-20 With respect to the table provided in your response to NNA/USPS-T46-8, you indicate that the tally counts provided are "consistent with USPS-T-46, Table 7." With respect to this statement, please provide underlying calculations showing how each tally count provided in your responses to NNA/USPS-T46-8 (and to NNA/USPS-T46-21 below) is weighted and otherwise adjusted to produce the tally dollar weights for Periodicals that are reported in your Table 7.

Response.

The weighted tallies are sums of the dollar weights in IOCS field F9250 for the specified categories.

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

NNA/USPS-T46-21 With respect to the table provided in your response to NNA/USPS-T46-8, please provide a comparable count of actual tallies by category for BY 2005.

Response.

Please see the table below.

Category	BY 2005	
	Tally Count	% of Total
In-County in FY03 lookup table	14	14%
In-County in FY04 lookup table	40	40%
In-County not in either lookup table	47	47%
Total In-County	101	100%
Outside County in FY03 lookup table	2,900	56%
Outside County in FY04 lookup table	1,936	37%
Outside County not in either lookup table	328	6%
Total Outside County	5,164	100%
Total Periodicals in FY03 lookup table	2,914	55%
Total Periodicals in FY04 lookup table	1,976	38%
Total Periodicals not in either lookup table	375	7%
Total Periodicals	5,265	100%

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

NNA/USPS-T46-22 With respect to your response to NNA/USPS-T46-9, you provided several lists of publications where the USPS classified tallies as being eligible for Within County rates. With respect to the following six titles that appeared on those lists, please state fully and completely the bases relied on by the USPS to conclude, during the course of this study, that the individual mail pieces in question had been eligible for Within County rates:

- a) Memphis Business Journal,
- b) Value Line Daily Options Survey,
- c) Houston Chronicle,
- d) Japanese Daily Sun,
- e) Post Telegraph,
- f) Star Herald.

Response.

For all of the listed titles, the destination of the piece recorded in the tally was determined to be in the same county as the office of entry. In addition:

a.-d. The Postal Service concluded that these titles were eligible for Within County Periodicals rates on the basis of mailing statement data indicating that pieces were entered at Within-County rates for the titles.

e. The Postal Service determined that this title had circulation under 10,000 copies.

f. The Postal Service concluded that this title was eligible for Within-County Periodicals rates on the basis of mailing statement data indicating pieces entered at Within-County rates for the title.

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

NNA/USPS-T46-23 With respect to your response to NNA/USPS-T46-9, you provided several lists of publications where the USPS classified tallies as mailpieces that were eligible for Within County rates. With respect to the individual mailpieces that were classified as being eligible for Within County rates for each publication listed in this response, please provide the publication volume number and the publication issue date for the mailpiece for which a tally was recorded during the course of the study.

Response.

The volume number and issue date are not recorded in IOCS, so the requested data are unavailable.

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

NNA/USPS-T46-24 With respect to your response to NNA/USPS-T46-9, you provided several lists of publications where the USPS classified tallies as mailpieces that were eligible for Within County rates. With respect to each publication listed in this response, please provide the exact paid circulation recorded by the USPS for the publication during the course of this study and the effective date of that paid circulation count.

Response.

Circulation data was not collected for the majority of tallies classified on the basis of mailing statement data. Titles for which circulation counts were collected, the circulation count, and the edited activity code are listed in the table below. An exact date of the circulations cannot be determined, but the most recent editions (2005) of the publication directories cited in USPS-LR-L-9 were used to determine circulation.

Title	Circulation	Activ Code
ONE VOICE	circ 19,500 weekly religious newspaper	2212
GONZALES TRIBUNE	circ 13,000 weekly community newspaper	2211
CLYDE REPUBLICAN	circ 1,000 weekly community newspaper	2211
SOUTHWEST DAILY TIMES	circ 7,157 weekly community newspaper	2211
SMITHVILLE LAKE HERALD (THE)	circ 2,675 weekly community newspaper	2211
THE JEWISH WEEK	circ 90,000 weekly religious newspaper	2212
SAVOY	circ 325,000	2212
BURNS TIME HAROLD	circ 3,000 weekly community newspaper	2211
CHERAW CHRONICLE	circ 8,050 weekly community newspaper	2211
GAZETTE	circ 8,800 3-times/week community newspaper	2211
THE NEW LONDON JOURNAL	circ 1,092 weekly community newspaper	2211
LAKE CITY GRAPHIC	circ 3,200 weekly community newspaper	2211

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

Title	Circulation	Actv Code
DODGE CRITERION	circ 1,100 weekly community newspaper	2211
ARKANSAS BANKER	circ 2,000 monthly	2211
DRAIN ENTERPRISE	circ 1,300 weekly community newspaper	2211
LICKING NEWS	circ 2,500 weekly community newspaper	2211
TRI COUNTY NEWS	circ 1,400 weekly community newspaper	2211
RICHLAND OBSERVER	circ 4,000 weekly community newspaper	2211
CALAVERAS ENTERPRISES	circ 5,300 semi-weekly community newspaper	2211
POST TELEGRAPH	circ 2,670 semi-weekly community newspaper	2211
THE ALAMANCE NEWS	circ 6,065 weekly community newspaper	2211
TONGANOXIE MIRROR	circ 2,500 weekly community newspaper	2211
FORT BRAGG ADVOCATE-NEWS	circ 5,400 semi-weekly community newspaper	2211
GEORGETOWN MAGAZINE	circ 140,000 quarterly publication	2212
GEORGIA BULLETIN (THE)	circ 77,000 weekly religious publication	2212
THE AMERICAN LEGION MAGAZINE	circ 2,602,005	2212
KENTUCKY LIVING	circ 479,791 monthly state publication	2212
WESTERN RECORDER	circ 49,620 weekly religious publication	2212
TULANE UNIVERSITY - Tulanian	circ 83,000 alumni quarterly publication	2212
CATHOLIC TELEGRAPH	circ 24,500 weekly religious publication	2212
DRAIN ENTERPRISE	circ 1,300 weekly community newspaper	2211
WEST TENNESSEE CATHOLIC	circ 17,000 weekly religious publication	2212
NORTH TEXAS CATHOLIC	circ 27,200 bi-monthly religious publication	2212
TODAY'S CATHOLIC	circ 24,000 bi-weekly religious publication	2212
TIMES JOURNAL - Chilton Times Journal	circ 5,400 weekly community newspaper	2211

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

NNA/USPS-T46-25 With respect to your response to NNA/USPS-T46-9, you provided several lists of publications where the USPS classified tallies as recording mailpieces that were eligible for Within County rates. With respect to each publication listed in this response, please identify each publication where the USPS had concluded during the course of this study that paid circulation was 10,000 or more.

Response.

Please see the response to NNA/USPS-T46-24

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

NNA/USPS-T46-26 With respect to your response to NNA/USPS-T46-9, you provided several lists of publications where the USPS classified tallies as recording mailpieces that were eligible for Within County rates. With respect to each publication listed in this response, where the USPS believed that paid circulation was 10,000 or more, please describe fully how, during the course of this study, the USPS verified that more than half of the total paid circulation for the publication was in fact distributed within the same county as the Post Office of original entry.

Response.

Please see the response to NNA/USPS-T46-24. The Gonzales Tribune is the only such title; the classification was based on the assumed local appeal of a community newspaper.

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

NNA/USPS-T46-27 With respect to your response to NNA/USPS-T46-13, you indicate that "the results of the IOCS testing showed no examples of pieces of other subclasses misidentified as Periodicals," With respect to this statement, please explain why the "IOCS testing" to which you refer did not reveal that in the redesigned IOCS, the responses to Q23E6 ("Is the mailpiece a Periodical, for example a regularly published magazine, newspaper or newsletter?") misidentified 377 tallies as Periodicals which were later determined not to be Periodicals at all. Explain your answer fully.

Response.

The data upon which my statement is based were subject to the edit checks to which Dr. Czigler refers in the response to NNA/USPS-T1-20. Thus, my statement in the response to NNA/USPS-T46-13 is made with respect to the combination of data collection and coding/editing procedures.

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of the National Newspaper Association

NNA/USPS-T46-28 With respect to your response to NNA/USPS-T46-15, you state, "That is, if the mailing statements indicate pieces entered at Within-County rates, the publication's eligibility is assumed to have been determined in the course of approving the publication for mailing at Periodicals rates." With respect to this statement please indicate whether, during the course of this study, the Postal Service listed or catalogued in any way, the dates upon which the eligibility of individual publications for Within County rates had been authorized. If the Postal Service prepared such lists during the course of this study please make all such lists available.

Response.

The Postal Service did not collect dates of eligibility for individual titles.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of United Parcel Service

UPS/USPS-T46-1. Refer to USPS-T46, page 28, Table 4. Provide a complete description of the criteria you used in preparing this table to classify tallies as "Direct Tallies," "Mixed Tallies," "Mixed Container Tallies," and "Not-Handling Tallies," including references to specific IOCS questions.

Response.

The criteria are derived from tally categories defined in witness Van-Ty-Smith's SAS code implementing the mail processing distribution keys. "Direct" tallies are those tallies in the DIRECT tally sets, as assigned in programs MOD1DIR, BMC1, and NONMOD1, in USPS-LR-L-55. "Not-handling" tallies are the tallies assigned in those programs to, respectively, the OUT1 NOTHAND, OUT4.NOTHAND, and OUT2.NOTHAND tally sets. The remaining tallies are "mixed" tallies (i.e., the MIXED sets). Mixed container tallies are those assigned to the COUNTED and PARTIAL sets in the MAPITEMC module, also in USPS-LR-L-55. Full details on the specific IOCS questions are provided in the referenced SAS code.

Response of United States Postal Service Witness A. Thomas Bozzo,
USPS-T-46, To Interrogatories of United Parcel Service

UPS/USPS-T46-2. Refer to USPS-T46, page 29, where you state that "[t]he automatic prompting for mailpiece selection in several branches of the redesigned IOCS-CODES software appears to account for much of the direct tally increase in mail processing." Describe completely any differences in the nature or extent of the automatic prompting referred to in this passage depending upon whether the sampled employee is working with the letter, flat or parcel/bundle mailstream.

Response.

The mailpiece selection rule in question applies when the employee is not handling a mailpiece at the time of the reading. The automatic prompting occurs for tallies where letter or flat sorting equipment is indicated as being used (Q18C1 responses A-B, Q18C1.BMC response A) and mail is present in the operation. Automatic prompting is not implemented for other types of equipment

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of Valpak Direct Marketing Systems, Inc., and
Valpak Dealers' Association, Inc
Redirected from Witness Van-Ty-Smith (USPS-T-11)

VP/USPS-T11-7.

The USPS Data Quality Study, Technical Report #1, Economic Analysis of Data Quality Issues, page 65, stated that one major conclusion from the mail processing assessment was :

A valid and defensible distribution key based on the appropriate cost driver for each mail processing operational activity pool should also be determined. To accomplish this IOCS needs to be replaced in the long- run. Until a replacement system can be designed and implemented, the IOCS should be modified to obtain sufficient useful tallies to provide a reasonable proxy for the distribution of these operational activity to products.

- a. Please explain what the Postal Service has done to date to develop a valid and defensible distribution key for the DPS cost pool [sic]
- b. Please explain what studies, plans, or other actions the Postal Service intends to undertake to develop a valid and defensible distribution key for the DPS cost pool [sic].
- c. Please explain where the Postal Service stands with regard to development of a replacement for the IOCS in capital intensive operations

Response.

- a. The Postal Service's cost methodology establishes MODS total pieces fed as the appropriate cost driver for barcode sorting operations, including DPS operations. (Note, there is no separate DPS cost pool.) As I explain in USPS-T-46, Section II.B.1 (pages 6-7), IOCS sampling is a valid method for estimating subclass distribution key shares for piece handlings. As a result, the Postal Service's efforts for such operations focused on ensuring IOCS sampling procedures were correctly applied and improving IOCS direct tally data quality. See USPS-T-46, Section II.D (pages 13-15).
- b. I am not aware of any efforts to develop volume-variable cost distribution methods specifically for DPS operations.

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of Valpak Direct Marketing Systems, Inc., and
Valpak Dealers' Association, Inc.
Redirected from Witness Van-Ty-Smith (USPS-T-11)

- c. As I explain in USPS-T-46, page 4, the Data Quality Study issued an alternative recommendation of improving IOCS, and the Postal Service chose to improve rather than to replace IOCS.

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of Valpak Direct Marketing Systems, Inc., and
Valpak Dealers' Association, Inc.
Redirected from Witness Van-Ty-Smith (USPS-T-11)

VP/USPS-T11-8.

The USPS Data Quality Study, Technical Report #1, page 32, showed the following breakdown of IOCS tallies.

Category	1969	1986	1996	2005
Specific Mail Product Identified	77%	63%	45%	
Mixture or Group of Mail Identified	17%	8%	6%	
No Mail Identified	6%	29%	49%	

Please complete the above table with IOCS tallies for FY 2005, on a comparable basis to prior years.

Response.

Please see the table below:

Category	1969	1986		1996	2005
Specific Mail Product Identified	77%	63%		45%	48%
Mixture or Group of Mail Identified	17%	8%		6%	7%
No Mail Identified	6%	29%		49%	45%

The source is USPS-T46, Table 4 (page 28), which also provides BY 2004 data.

"No mail identified" includes empty equipment (6.4% of tallies) and not-handling tallies. Note that because of changes to IOCS data collection procedures, the FY 1969 and FY 1986 tally distributions are not comparable to the FY 1996 and FY 2005 distributions. The data also do not control for changes in the prevalence of

Response of United States Postal Service Witness A. Thomas Bozzo
(USPS-T-46) To Interrogatories of Valpak Direct Marketing Systems, Inc., and
Valpak Dealers' Association, Inc.
Redirected from Witness Van-Ty-Smith (USPS-T-11)

workshared volumes and operational changes that may affect the tally mix. See also USPS-T-46, page 5, lines 11-22, and footnote 2.

1 CHAIRMAN OMAS: Is there any additional
2 written cross-examination?

3 MR. KOETTING: Mr. Chairman, I might just
4 note at this time that Mr. Hall did earlier enter some
5 additional written cross-examination associated with
6 this testimony.

7 If possible, I suppose it would be helpful
8 if that could be transcribed immediately following the
9 packet so all the associated material is together. I
10 believe that was an interrogatory from MMA redirected
11 from Witness Abdirahman, if I'm not mistaken, T-22-53,
12 some subparts to that, (c) and (d).

13 CHAIRMAN OMAS: Without objection. So
14 ordered.

15 (The documents referred to,
16 previously identified as
17 Exhibit Nos. MMA/USPS-T-22-
18 53(c) and MMA/USPS-T-22-
19 53(d), were received in
20 evidence.)

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Response of United States Postal Service Witness Bozzo (USPS-T-46)
 To Follow-Up Interrogatory of Major Mailers Association
 Redirected from Witness Abdirahman (USPS-T-22)

MMA/USPS-T22-53

Please refer to your revised responses to Interrogatory MMA/USPS-T22-2 (E) and (F), 3 (C), (E) and (F), and 4 (D) and (E). In each of those answers you claim that CRA cost changes from R2005-1 TY 2006 and R2006-1 TY 2008 cannot be properly compared because "there was a change to the method used to collect and assign IOCS tallies." On the other hand you did confirm the percentages shown a table that is reproduced for your convenience below:

Letter Rate Category	Total Unit Cost			"Proportional" Unit Cost		
	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase	TY 2006 R2005-1	TY 2008 R2006-1	Percent Increase
Single Piece	11.42	12.02	5.3%	7.16	7.66	7.0%
Presorted	4.12	4.59	11.4%	2.41	2.80	16.2%
Standard Presorted	4.34	4.06	-6.5%	2.53	2.40	-5.1%

- A. Is it your position that, even though the CRA data indicates that total unit costs have increased much more for First-Class presorted letters (11.4%) than for First-Class single piece letters (5.3%), actual costs probably did not increase by those amounts? Please explain your answer.
- B. Is it your position that, even though the CRA data indicates that proportional unit costs have increased much more for First-Class presorted letters (16.2%) than for First-Class single piece letters (7.0%), actual costs probably did not increase by those amounts? Please explain your answer.
- C. Please explain how a change to the method used to collect and assign IOCS tallies would impact First-Class costs as presented in Parts (A) and (B).
- D. Please explain where in any Postal Service witness testimony it is specifically explained how the change in the method to collect and assign IOCS tallies would impact First-Class costs as presented in Parts (A) and (B) and provide citations to the specific portions of such testimony, if any.

Response.

- a.-b. Answered by witness Abdirahman (USPS-T-22).
- c.-d. Development of costs for categories within the First-Class Mail and Standard Mail depends on the accurate recording of class and of the rate markings associated with the subclasses and other rate categories. See USPS-T-46, Section II.D (pages 13-15). As noted at USPS-T-46, page

Response of United States Postal Service Witness Bozzo (USPS-T-46)
To Follow-Up Interrogatory of Major Mailers Association
Redirected from Witness Abdirahman (USPS-T-22)

38-39 (referenced in my response to MMA/USPS-T22-2d, redirected from witness Abdirahman), identifying the class of mail correctly but not rate markings tends to result in overestimation of costs for less-presorted mail categories. Consequently, increasing the accuracy with which rate markings are identified "shifts" costs to categories requiring additional rate markings for subclass identification. For Standard Mail, the effect is to reduce measured costs for Standard Regular and to increase measured costs for Standard ECR. In First-Class Mail, the same phenomenon would tend to increase costs for presorted First-Class Mail relative to Single Piece First-Class Mail. Table 6 of USPS-T-46 indicates that there may be such a shift for First-Class Mail, but the effect is small relative to the sampling variation of the data.

1 CHAIRMAN OMAS: Is there anyone here who
2 would like to make any request or anything at this
3 time?

4 (No response.)

5 CHAIRMAN OMAS: As we all know, there are no
6 hearings scheduled in this docket for tomorrow. The
7 Commission will convene hearings in two other dockets
8 tomorrow, and we will reconvene this case Wednesday
9 morning at 9:30 when we will receive testimony from
10 Postal Service Witness Czigler, Van-Ty-Smith and
11 Bozzo.

12 Thank you. We stand adjourned.

13 (Whereupon, at 10:10 a.m. the hearing in the
14 above-entitled matter was adjourned, to reconvene at
15 9:30 a.m. on Wednesday, August 16, 2005.)

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REPORTER'S CERTIFICATE

DOCKET NO.: R2006-1
CASE TITLE: Postal Rate and Fee Changes
HEARING DATE: 8/14/06
LOCATION: Washington DC

I hereby certify that the proceedings and evidence are contained fully and accurately on the tapes and notes reported by me at the hearing in the above case before the Postal Rate Commission

Date: 8/14/06

Bernadette J. Herbert

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